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ECONOMIC AFFAIRS

No. 1055

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2 June 1983

# USSR REPORT ECONOMIC AFFAIRS

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## INVESTMENT, PRICES, BUDGET AND FINANCE

### FINANCE MINISTRY OFFICIAL SURVEYS FINANCE ORGAN WORK

Moscow FINANSY SSSR in Russian No 3, Mar 83 pp 3-14

[Article by V. V. Dementsev, first deputy minister, USSR Ministry of Finance: "A Higher Level of Economic Work for Financial Organs"]

[Text] The Soviet people accepted the decisions of the CPSU Central Committee November (1982) Plenum as a precise, consistent program of action for the present stage of communist construction.

The speech of CPSU Central Committee Yu. V. Andropov contained a thorough analysis of the state of the Soviet economy. It noted that in recent years much has been done to implement the 11th Five-Year Plan and to increase economic growth rates. It revealed difficulties and shortcomings in the national economy's development, and pointed to ways and means of overcoming them. The Party and its Central Committee are checking planned and attained levels in plan targets against CPSU 26 Congress instructions. To follow the course and purposefully put into practice the economic strategy of the congress is to guarantee the further strengthening of the Soviet state's might and to improve people's lives.

The plenum took place at a major stage in the struggle for the implementation of the 11th Five-Year Plan -- the eve of its third, core year. The results from the five-year plan's second year are evidence that the nation's economic potential has expanded and that further growth in public production and the people's welfare have been ensured.

Concurrently, at the CPSU Central Committee Plenum attention was forcefully focused upon the fact that during the first two years of the five-year plan it was not fulfilled for a number of very important plan indicators. Some ministries, associations, enterprises, and organizations are at fault for failing to produce large quantities of production and mass consumption goods.

The switching of our national economy to the track of intensification and its turn towards efficiency are still slowly underway. There are unsatisfactory growth rates for labor productivity, the main indicator of the economy's efficiency, and there is practically no decline in output material intensity. As was stressed at the plenum the solution to these gathering problems requires overcoming the force of inertia and old habits. There should be accelerated work in improving all spheres of economic leadership: administration, planning, and the economic mechanism.

The 11th Five-Year Plan's development took into account the requirements contained in the CPSU Central Committee and USSR Council of Ministers Decree of 12 July 1979: "On Improvements in Planning and the Intensification of the Effect of the Economic Mechanism on Improving Production Efficiency and Work Quality". Unfortunately, many principles in this important document are being put into practice slowly, and a number of sectors have not been restructured for work under the new conditions. It is necessary to accelerate the implementation of the requirements for the economic mechanism's improvement and the conversion to new working conditions set forth in party and government decisions.

It was noted at the plenum that there must be persistent endeavors to rationally use material and labor resources. Manifestations of wastefulness cannot be tolerated. When the problem involves the conservation of material resources, it should be solved in a new way, and not by saying: "It's good to economize, but it's also alright not to."

The 1983 state plan and budget posed large, and to a significant extent, new tasks for all aspects of the USSR's economic and social development.

During the 11th Five-Year Plan's third year it is intended to accelerate economic development rates, and increase the absolute magnitudes of the growth in national income, the output of industry and agriculture, and the retail trade volume. Work on the implementation of these plans is characterized by the fact that taut targets should be fulfilled through comparatively small increases in material outlays and labor resources. The 1983 plan sets increased targets for the conservation of resources, above all fuel, energy, ferrous and nonferrous metals, construction materials and chemicals.

In 1983 the 26th CPSU Congress' course for improving workers' welfare is being maintained. Pace setting growth is planned for sectors in group "B" and there are increases in the production of mass consumption goods. Extensive material and financial resources have been allocated to the further development of the agroindustrial complex. There will also be further growth in the population's real income and the five-year plan targets for residential construction will be made real.

Here are the most important indicators for the 1983 plan: the growth in national income used for consumption and accumulation is 3.3 percent, or 15 billion rubles compared to 9 billion in 1982; the labor productivity of social labor will increase more than 3 percent; industrial production volume by 3.2 percent; and the freight turnover for all transportation by 3.6 percent. Social consumption funds for 1983 are 134 billion rubles, they will grow 4.7 percent in a year.

A central place in the 1983 plan is occupied by measures for the implementation of the Food Program ratified by the May (1982) CPSU Central Committee Plenum. In accordance with this program, measures have been directed towards improving agricultural production efficiency and meeting the nation's growing requirements for food products. Agricultural gross output is 137.3 billion rubles and will grow by 10.5 percent.

Primary attention now should be directed towards the unconditional fulfillment of targets for 1983 and the entire 11th Five-Year Plan, the prevention of plan corrections which are reductions, and the strict observance of discipline. In his speech at a meeting with Moscow machine builders on 31 January 1983 Yu. V. Andropov said: "Why was the question of labor discipline so sharply posed at the CPSU Central Committee Plenum?"

"Above all, this is a demand of life, because without the necessary discipline -- labor, plan, state -- we could not move forward rapidly. Putting things in order really requires no capital investments, while it has a huge effect."

Success in plan fulfillment depends upon the mobilization of all resources at our disposal, on the purposeful, organizational work of party organizations, economic managers, and engineering-technical workers. The 1983 plan targets should be made concrete with respect to the tasks of each enterprise, and each labor collective. The party demands the proper assignment of key personnel so that at each decisive section there are people who are politically mature, competent, show initiative, and have organizational capabilities and a feeling for what is new.

In accordance with Plenum decrees it is essential to expand organizational and mass-political work directed towards the completion of the next economic and political tasks, and the further strengthening of the economic and defensive might of the USSR; and to take the measures necessary to fulfill and overfulfill the economic and social development plan for 1983.

Guided by 26th CPSU Congress directives and CPSU Central Committee November (1982) Plenum decisions, financial system organs should strengthen influences on improving the activities of economic sectors and should intensify financial control over the implementation of a strict regime of conservation in the use of material and monetary resources.

In 1982 there was extensive work in the additional mobilization of state financial resources and in reinforcing a regime of the strictest economy and thrift in the use of resources. The examination of ministries' and departments' financial-economic activities revealed internal resources totalling 2.7 billion rubles, which were allocated to cover shortfalls in circulating capital and overdue credit indebtedness, as well as to increase budget incomes. Intensified control over targeted use of allocations made it possible to save 1.2 billion rubles of budget resources. Proposals were made to increase the production of mass consumption goods by 1.9 billion rubles, which would ensure 400 million rubles of budget receipts.

The 1982 USSR State Budget was 102.1 percent fulfilled with respect to incomes. This made it possible to provide financial resources to plan measures, and to implement additional decisions made in the course of plan and budget fulfillment.

In executing the tasks posed by the 26th CPSU Congress and subsequent plena of the Central Committee, the USSR Ministry of Finance and local financial organs are improving the form and methods of economic and control work. Shortcomings and unutilized reserves in the economy are evidence that financial control levels do not completely meet contemporary demands. Unsatisfactory control-economic work by some local financial organs results in sizable amounts not entering the budget.

During the period of the 1983 budget and the formation of union republic budgets for 1984, it is essential to more critically examine drafts of financial plans, estimates of expenditures and other accounts of ministries and departments. This will make it possible to more completely reveal and mobilize internal reserves. However, there is not an adequate struggle against the incomplete accounting of existing resources. This was proven by union republic claims with respect to the 1983 plan.

Considerably intensified control is required over estimation planning. Audits (proverki) cover only an insignificant number of budgeted institutions, and for some they are not made for years on end. For example, in 1981 in Tashkent audits of the correctness of estimate compilation only covered 35 percent of urban institutions, and in Syrkhan-Darya Oblast only 5 percent.

Some financial organs allow serious shortcomings in the planning of local budgets based on control indicators, and do not observe directives and basic statutes on the procedures for organizing this work. In some cases this leads to violations of budget laws by various rayon, rural and settlement soviets. There are substantial shortcomings in this activity in Fergana and Tashkent Oblasts.

The decisions of the November (1982) Plenum demand increased responsibility for the work entrusted to one, for the fulfillment of plans and targets. Above all this means that the plan become law and that enterprises and organizations be completely accountable for the results of their financial economic activities and for the fulfillment of obligations to the state. In examining annual reports it is essential to see that shortfalls in a party's own current capital and overdue credits are paid off through its own internal resources. In the conclusions of annual reports, ministries, departments, associations and enterprises must make proposals on the security of current capital.

Special attention should be given to questions in the further improvement of financial planning, the economic feasibility of intra-year distribution of plan targets for the most important economic indicators.

Some ministries and departments have not drawn the necessary conclusions from the instructions as to the impermissibility of giving subordinate associations, enterprises, and organizations reduced plans for the first months and quarters. Such flawed practices create the appearance of well-being in plan fulfillment, do not stimulate the use of existing possibilities to increase production and labor productivity, and lead to unfounded payments of bonuses and the allocation of resources for wages and to unjustified requests for plan reductions at the end of the year.

Take just one indicator, such as profit. For the 1st Quarter of last year industrial profit was planned to be 22.2 percent, and for the 2nd Quarter -- 23.3 percent. The actual share of each of these quarters was at least 25-26 percent. Industry overfulfilled the reduced plan in the 1st Quarter by 600 million rubles, and the 2nd Quarter by 950 million. In the 3rd Quarter the profit plan was not fulfilled and in the Fourth the total underfulfillment increased. At the beginning of the year financial organs review the course of plan target allocation and the correctness of intra-year distribution of

association and enterprise plans. However, such reviews are not made during the year. Using this, ministries and departments make changes in plan targets during the course of the year. The finance ministries of union and autonomous republics and local financial organs must review the correctness of changes in plan targets made during the year and thus prevent unjustified plan changes.

The state incomes plan for 1982 was overall 102.1 percent fulfilled. However, the results could have been better if all financial organs, without exception, had intensified their influence over the work of industrial enterprises and trade organizations with regard to the fulfillment of production and sales plans. This influence is still not everywhere sufficiently effective. For example, in 1982 in the RSFSR and the Ukrainian SSR the turnover tax plan was not fulfilled by 3 sectors, in the Kazakh SSR by 2 sectors, in the Tajik SSR and Armenian SSRs by 5 and in the Azerbaijan SSR by 4 sectors.

Some financial organs and finance ministries in union republics request reductions in turnover tax plans because the plans for the production and sales of certain goods are not fulfilled (Uzbek SSR, Georgian SSR). It should be kept in mind that the USSR Ministry of Finance will not reduce the turnover tax plan in cases of unfulfillment of plan indicators for the production and sales of these goods.

Because of disagreement over assortments in a number of republics, goods delivery contracts have not been signed between the USSR Minlegprom [Ministry of Light Industry] and trading organizations for 1983. In these cases union republic finance ministries must take concrete measures to completely distribute production plans and to conclude goods delivery contracts.

Local financial organs do considerable work in ensuring the prompt arrival of payments due the budget. However, because of disorganization at a number of such organs, there are sizable arrears. As of 1 January 1983 arrears in budget payments from profits amounted to 10.2 million rubles. Arrears are allowed by financial organs in four republics: the RSFSR, Belorussian SSR, Azerbaijan SSR, and Uzbek SSR. Financial organs must constantly implement measures to strengthen payment discipline.

In 1982 trade organizations did not fulfill established targets for retail sales turnover. The main plan for sales turnover was only 99 percent fulfilled. The public was not sold goods valued at 2.9 billion rubles, and, when additional targets are included, the value reaches 3.8 billion. Especially great lagging in the retail sales plans were allowed in the Azerbaijan, Armenian, Latvian, Moldavian, and Estonian SSRs. It should be stressed that the potentials and reserves for fulfilling sales turnover plans were not completely used. Thus, compared to the same period last year, retail sales as of 1 November 1982 had grown by 4 percent, while goods inventories, measured in days, has increased 12 percent and amounted to 88 days. The failure to meet public demand for a number of goods is to a considerable degree explained by lack of flexibility on the part of many trade organizations and industrial enterprises, and the poor study of consumer demand. The proper territorial distribution of surplus goods and the elimination of these shortcomings would make possible a considerable reduction in sales turnover plan underfulfillment.

The state trade network and cooperative trade are short of such easy to make goods as kitchen tables, chairs, stools, shelves, kerosene lamps, shovels, pitchforks, wash-stands and other household items which should be produced locally. CPSU Central Committee General Secretary Yu. V. Andropov noted at the November (1982) Plenum that: "...It cannot be considered normal when the problem of the production of such simple goods is handled almost alone by USSR Gosplan. It is essential that local organs assume this task and be completely responsible for its solution." Union republic councils of ministers, USSR ministries and departments, and local organs must intensify their role in increasing the production and improving the quality of mass consumption goods. The nation's financial organs must also actively participate in the development and implementation of measures for the additional production of such goods.

The party and government are giving great attention to the further expansion of personal services and improvements in their quality. In 1983 the volume of such services will grow by 6.8 percent, including 8.2 percent in rural localities. In spite of the fact that during 1981-1982 the personal services plan was fulfilled, the service sphere still is far from completely using its existing reserves. These include: increasing the coefficient of machine and equipment use, improving service quality and standards, reducing unproductive expenditures, strengthening khozraschet, and increasing profitability. The personal service system continues to have cases of plundering of raw and other materials, and money. However, the necessary struggle against them is not conducted. Because of poor work, unproductive expenditures, and losses by 28.3 percent of all enterprises, in 1981 losses totaled 145 million rubles, and in the 1st Quarter of 1982 81 million rubles. Almost every third enterprises works at a loss.

In order to help eliminate losses in the personal service sphere, financial organs should conduct a decisive struggle against mismanagement and extravagance, enlisting the general public into this. Rayon, city, kray, and oblast financial organs, and ASSR finance ministries must carefully analyze the work results of their personal service administrations for 1982 and make their own work improvement proposals for examination at the ispolkoms of soviets of people's deputies.

The strengthening of monetary circulation is one of the central tasks in our economy's further development. Without its solution it isn't possible to strengthen the influence of the entire range of financial levers upon improving the efficiency of public production. Special attention should be given to the use of wage funds. The reasons for the uneconomical use of funds for the payment of labor are reduced output norms, the widespread practice of so-called "apportionment" (raskladka) of wages funds independently of the labor contribution of individual workers, and the multitude of forms of bonuses and other supplementary payments. There are also serious shortcomings in the planning of wages funds and funds for the payment of labor. Union republic finance ministries and financial organs must intensify control over the proper planning and use of wages funds.

To increase the production of mass consumption goods, ministries (departments) and union republic councils of ministers should develop and implement measures to increase (compared to the volume planned for 1983) the production of goods

for which the demand was not satisfied. This should primarily be done through local resources and production wastes. The above organs should also establish control over the fulfillment of targets for the production of mass consumption goods per ruble of wages fund.

The planning of mass consumption goods production per ruble of wages fund was introduced in 1983. Now every ministry, union republic, oblast and kray will be responsible for meeting this indicator. It should be noted that a number of republics have unutilized potentials for increasing consumer goods output. For example, in 1983 in the Belorussian SSR it is planned to produce 3.6 rubles worth of such goods per ruble of wages fund at industries of republican subordination, while in the Moldavian SSR the figure is 7.2 rubles. In the Latvian SSR the planned production of goods in relation to wages is 1.5 fold lower than in the Estonian SSR. However, these figures characterize production only at industries of republican subordination, while after all, every republic has many enterprises in heavy industry, machine building, and other sectors.

Union republic finance ministries and local financial organs should see that ministries, industrial associations, and enterprises meet the established targets for the output of mass consumption goods at all enterprises, independently of their subordination or basic work profile. Instances of industrial associations and enterprises not fulfilling the mass consumption goods targets should be reported to local party and soviet organs so they can take measures.

The more economical and rational use of raw materials and fuel-energy resources is a large reserve for improvements in the work of industry and other sectors. However, reviews show that many associations and enterprises have still not taken the measures necessary to implement the CPSU Central Committee and the USSR Council of Ministers of 30 June 1981, No 612: "On the Intensification of Work on the Economy and Rational Use of Raw, Fuel-Energy, and other Material Resources". These organizations allow increased norms for the consumption of such resources, and are not meeting targets for the reduction of output production costs. There is a weakly increased accountability of economic managers for the implementation of technological measures ensuring production intensification and the thrifty use of resources.

Raw materials are poorly used at a number of enterprises in the RSFSR Mintekstil'-prom [Ministry of the Textile Industry]. In addition to losses, this results in shortages of sizable amounts of goods very much needed by the population. During 1981 and nine months of 1982 more than half of the ministry's enterprises over-consumed 2,280 tons of various natural and artificial fibers worth 13 million rubles, from which 16 million under and outer garments could have been made. Management workers at the RSFSR Mintekstil'-prom were severely punished.

USSR Minchermet [Ministry of the Ferrous Metallurgy Industry] enterprises uneconomically use raw materials and fuel. During 9 months of 1982 blast furnaces excessively consumed 537,600 tons of coke, steel smelting operations -- 127,500 tons of metal stock, and rolling mills -- 118,300 tons of metal. In 1982 the ministry did not fulfill the targets for economizing on fuel and energy resources. Over-consumption of fuel was allowed at the Orsko-Khalilov, and Nizhniy Tagil Metallurgical Combines, the Krivoy Rog Plant, and the Kommunar'skiy Coke and Chemical Plant. There was over-consumption of electrical energy at 12 enterprises in the UkSSR Minchermet, the Kommunar'skiy Coke and Chemical Plant, and the Yermakovskiy Ferroalloy Plant.

USSR Minstroyaterialov enterprises [Ministry of the Construction Materials Industry] are slowly mastering the use of progressive technology. The introduction of the "dry" method for producing clinkers in the cement industry reduces fuel use to 168 kilograms of standard fuel per ton compared to 230 kg per ton for the "wet" method. However, in 1981 installed capacity for cement production by the "dry" method was only 46 percent utilized at the UzSSR Minstroyaterialov Navoiyskiy Cement Plant and the KaSSR Minstroyaterialov Novo-Karaganda Cement Plant. There was also considerable over-consumption of fuel at cement enterprises in the Minstroyaterialovs of the ArSSR, UsSSR, and Glavvostoktsement.

Some enterprises are not meeting their plans for the collection of used oils, especially valuable motor oils. They are frequently poured onto the ground, or at best used as fuel with other petroleum products. Every second enterprise in the UkSSR Minavtotrans [Ministry of Motor Transport] fails to meet the plan for petroleum product collection. There are similar situations in the AzSSR, ArSSR, and KiSSR.

As a rule, mismanagement and waste are allowed at those enterprises which have poorly organized the accounting for and storage of material values. Thus, reviews in Tula Oblast have shown that of 470 enterprises, only 180 have organized bookkeeping of the basic types of materials and energy. What is more, one-fifth of them do not have targets for economizing on ferrous metals, furnace fuel, energy, cement, and lumber. A low level of work on the part of oblast interdepartmental commissions for the economy and rational use of resources was noted here. The necessary importance is not placed upon the increase and the extensive economic use of secondary energy resources. Wastes from wood and other materials are poorly used.

On the basis of party and government decisions, USSR ministries and departments, and union republic councils of ministers should carefully analyze the situation with respect to the use of all types of materials at subordinate enterprises, develop and implement a complex of organizational-technical measures ensuring the economical use of material-technical resources, and take practical measures to observe established consumption norms and to meet targets for the saving of fuel, raw materials, metals, and other materials. This work should also be under the unwavering control of all financial organs.

During the period since the March (1965) Plenum, investments in agriculture have totaled 383 billion rubles. As a result the capital available to kolkhozes and sovkhoses has increased 3.6 fold, the energy available -- 2.6 fold, and the energy-worker ratio has increased 3 fold. During this period kolkhozes and sovkhoses received around 240 billion rubles in additional income due to increased procurement prices and the introduction of 50 percent markups for over-fulfillment of the procurement plan.

The May (1982) Plenum outlined large scale measures which should radically improve the economic situation of kolkhozes and sovkhoses, and ensure an increase in agricultural production. In order to strengthen khozraschet [cost accounting] at kolkhozes and sovkhoses, and to enhance their material interest in production increases and quality improvements, on 1 January 1983 procurement prices for

agricultural products were increased, and markups totalling 16 billion rubles annually were introduced for output sold to the state by farms with low profit rates or with losses. In addition, beginning in 1983 there will be annual budget allocations of 3.3 billion rubles to kolkhozes with insufficient fixed capital and not having their own resources for expanded reproduction in order to finance the construction and maintenance of cultural-service facilities, to build intra-farm roads, and to make insurance payments.

The national budget wrote off kolkhoz and sovkhos bank loans totalling 9.7 billion rubles, and loans totalling 11.1 billion rubles were extended for 10 years.

There are large allocations for the further development of agricultural production. Local financial organs are faced with the task of considerably intensifying control over the use of allocated resources, and the rational use of wages and commodity-material values funds. Union republic finance ministries and local financial organs must not only review and analyze report data and the economic and financial condition of individual farms, but also improve the entire economic mechanism for the management of agricultural production, and enhance the accountability of farm managers and specialists for the results of management and economic activity.

Capital construction has a large role in the realization of plans for economic and social development in our country. Measures taken in accordance with party and government directives have created the prerequisites for improving the capital construction situation. In 1980 the growth in uncompleted construction was stopped and its above-norm volume began to decline. The positive advances occurring in 1982 can be characterized as a reduction in the number of projects beginning at one time, the improvement in the technological structure of capital investments through an increase in the share of outlays for equipment in the total limit of capital investments, and the orientation of efforts toward the technical modernization and reconstruction of existing enterprises.

The 1983 plan is the first for a number of years to provide for the pace setting operational introduction of fixed capital compared to limits for capital investments, and outlays for equipment are balanced with funds for its delivery.

However, as was noted in the speech of CPSU Central Committee General Secretary Yu. V. Andropov to the November (1982) Plenum, the capital construction sphere still has several problems. It is essential to struggle decisively against the dissipation of efforts and resources on a multitude of projects. The share of reconstruction and modernization should increase, and that of new projects decline. It is necessary to improve the organization of construction itself, the quality of construction-installation work, and the flexibility of construction organizations. It is a central national economic task to bring order into capital construction.

In order to implement the tasks posed by the November (1982) Plenum it is necessary to: take measures to strengthen the economic and control work of financial organs in the capital construction sphere, activate the influence of the finance-credit mechanism on increasing capital investment efficiency; intensify

control over the further reduction in the number of new projects, the improvement of construction operation organization and work quality, the timely 1983 introduction of productive capacity and fixed capital, the fulfillment of plans for technical reequipment and reconstruction of operating enterprises, and over the widespread introduction of the brigade method in construction.

The USSR State Budget annually allocates sizable amounts to social-cultural measures. These should be carefully utilized. Institutions in the social-cultural sphere do not give sufficient attention to problems of resource savings. Thus, at 305 secondary specialized academic institutions examined by financial organs in 1981-1982 a total of 1.9 million rubles in wages were illegally paid as a result of retaining positions above staffing levels and unjustified increases in pay rates.

During the first half of 1982 illegal expenditures were revealed at many health care institutions. These were for wage payments. In the UzSSR they totaled 900,000 rubles, in the UkSSR -- 500,000, and in the GSSR -- 400,000.

There are also big shortcomings in expenditures for the acquisition of equipment and inventories. At treatment institutions reviewed in the UzSSR 14 motor vehicles of various types, with a total value of 43,000 rubles, were not used; and at the Karaganda Oblast Clinical Hospital in the Kazakh SSR expensive medical equipment has not been working for a long time because it needs major repairs.

Reviews by financial and social security organs reveal numerous cases of improper awards and payments of pensions and allowances. In 1981 overpayments totalling 9.4 million rubles were determined, and in the first half of 1982 the figure was 5.6 million rubles. For several years there has been no decline in the total overpayments revealed.

Workers in the control-auditing apparatus face major tasks in light of the November (1982) Plenum's decisions. The control-auditing apparatus of financial organs annually conducts more than 75,000 audits and reviews of the financial and economic activities of ministries, departments, associations, enterprises, and economic organizations. During these audits and reviews it has been established that a considerable share of illegal payments are for wages. In 1981 they exceeded 70 million rubles just at the enterprises, organizations, and institutions checked. Using audit materials a 63 million ruble reduction was made in excessive allotments in the estimates of budgeted institutions, and in the first half of 1982 the figure was 40 million rubles. In some republics, in particular the Ukrainian and the Kazakh SSRs, there is an increase in the excessive allotments revealed.

At the same time one should note that the number of violations, the misuse and theft of socialist property is not declining. In addition to improving the quality of audits of budgeted institutions, managers of financial organs and the control-audit apparatus should intensify work to prevent violations, improve preliminary and running control, and reveal those responsible for squandering state resources in order to make them answer. Financial organs and the control-review apparatus should give more attention to improving comprehensive audits of financial organ work, and to auditing budget performance of rural and settlement soviets.

The USSR Council of Ministers ratified the 2 April 1981 Decree: "On Measures for the Improvement of Control-Audit Work at Ministries, Departments, and Other Management Organs". It makes provisions for radically restructuring departmental control work. In accordance with this decree, the USSR Ministry of Finance, union republic finance ministries, and local financial organs have reviewed the state of departmental control at 20 USSR ministries and departments, 300 union republic ministries and departments, 2,800 associations, administrations and trusts, and 1,600 organizations of city and rayon subordination. These reviews have resulted in the proposals essential to improve the efficiency of departmental control.

Audits and reviews of control-audit work at ministries, departments and other management organs show that many ministries and departments have not properly organized work in accordance with the requirements of the USSR Government Decree of 2 April 1981. A number of ministries and departments are slow in staffing vacant positions for auditors. This leads to breakdowns in the conduct of planned audits and reviews.

The task of strengthened economizing and thrift in the national economy posed by the November (1982) Plenum obligates control-audit workers to considerably improve the quality and efficiency of control-audit work, take more effective measures to intensify the struggle against violations of state discipline, exaggerations (pripiski) and other distortions of report data on the fulfillment of plans and obligations, against mismanagement, waste and theft of socialist property.

There are important and responsible tasks in the further improvement of accounting in the national economy. The USSR Council of Ministers Decree of 24 January 1980: "On Measures for the Improvement of Accounting Organization and Increasing its Role in the Rational and Economic Use of Material, Labor and Financial Resources" obligated USSR ministries and departments, union and autonomous republic councils of ministers, and executive committees of soviets of people's deputies to, during 1980-1981, implement measures to considerably improve the accounting organization in subdepartmental associations, enterprises, organizations, and institutions.

The reviews conducted, and data arriving at the USSR Ministry of Finance are evidence that financial organs are still not taking the measures necessary to strengthen control over the implementation of measures for the further improvement of bookkeeping at associations, enterprises and organizations. Financial organs must take additional measures to strengthen control over accounting improvements, and when necessary take specific measures through superior organizations in order to eliminate shortcomings.

Financial organs are conducting important work on staffing and reductions in the number of workers in the management apparatus.

Beginning in 1982, the USSR Ministry of Finance has participated in agreements setting limits on the total number of workers in the management apparatus and the overall size of marginal allocations (predel'noye assignovaniye) for enterprises, organizations, and institutions in each USSR ministry and department,

and each union republic, and on the creation and reorganization of associations, administrations, trusts, offices, inspectorates, and other organizations with administrative functions, supply and sales organizations, construction organizations, organs of scientific-technical information, computer centers, administrations and departments of worker supply, institutes and courses for improving qualifications.

The USSR State Budget for 1983 has a target to reduce the number of workers in the management apparatus by 248,000, and to reduce upkeep expenses, including all types of official trips by 800 million rubles. It is financial organs' urgent task to guarantee control over the unconditional attainment of these targets, and the timely and complete receipt of the savings in the budget. Staffing workers must more strictly control enterprise and organization observation of established limits for management apparatus size and the limiting allocations for its upkeep, as well as take all measures necessary to eliminate shortcomings.

A very important task is the realization of the May (1982) Plenum decisions on the improvement of agricultural management, the reduction in the management apparatus and its upkeep costs within the system of ministries and departments in the agroindustrial complex. The decisions of the November (1982) Plenum also require the very rapid completion of all work involved with the restructuring of agriculture, in the course of which its new structure should be ratified, oblast and rayon agricultural administrations formed, norms set for the number of their workers, and this system's apparatus subjected to a 9-10 percent reduction. The specific size of the reductions are provided in the USSR State Budget for 1983.

This year important problems should be solved in the development of insurance. The USSR Main Administration for State Insurance must conduct a number of organizational measures directed toward guaranteeing the plan for the receipt of insurance payments in 1983 totalling 12.7 billion rubles. It is essential to generally improve plan discipline, widely popularize and provide incentives to collectives assuming taut counter plans, enhance the role of economic incentives in achieving high indicators, and on this basis guarantee the fulfillment and overfulfillment of plans by all union republics.

Special attention should be directed towards improving the standards of service to the public, the prompt and correct payment of premiums and compensation, the precise and attentive examination of workers' claims and complaints. We now deal with 168 million individuals. The future development of insurance depends upon services to them.

Nevertheless, there are still quite a few cases of merely formal investigations of claims from the insured. It is essential to decisively fight against such cases. There must be constant study and analysis of the reasons for public complaints, and measures promptly taken to eliminate shortcomings in this work.

The November (1982) Plenum determined the main directions in the activities of party and economic organs. One of them covers the disposition and education of cadre. In implementing the decisions of the 26th CPSU Congress and CPSU Central Committee plenum, financial and insurance organs, administrations and departments in the USSR Ministry of Finance, and organizations and institutions subordinate

to it are reinforcing the apparatus with qualified specialists, taking measures to expand cadre training and improve their skills, to improve education and create a reserve. Each year more than 6,000 young specialists, including 1,200 with higher education are assigned to reinforce the finance system's apparatus. At the decisive sections of the central apparatus at the USSR Ministry of Finance, republic finance ministries, financial and insurance organs there are politically trained, qualified specialists with extensive experience, capable of doing control and economic work at the standards and levels necessary.

However, work with cadre at financial organs requires further improvement in view of the decisions of the 26th Congress and the May and November (1982) Plena. There are still shortcomings and problems in this important matter. Some sections of finance and insurance work -- the apparatus for state incomes, control-audit, and the State Insurance inspectorate -- need more specialists. There should also be thorough improvements in work with reserve cadre, and the organization for skills improvement and education. Financial organs in some republics (AzSSR, GSSR, LiSSR, TuSSR, ESSR,) are not meeting plans for retaining some categories of workers -- in budgets, national economic financing, state incomes, etc.

Some republics -- AzSSR, MSSR, KiSSR -- are insufficiently active in retraining finance ministry apparatus workers, especially those in the management ranks. The essential attention isn't everywhere directed towards improving the economic education of specialists designated for advancement. Cadre and educational institution administrations, and managers of administrations and departments do not always operationally solve questions in staffing vacant posts in ministry central apparatuses. At times some posts remain empty for long periods.

The great tasks facing financial and insurance organs in the mobilization of financial reserves, the timely financing of social-economic measures advanced by the party and government, and in controlling the economic and effective expenditure of state resources all require constant improvement of work with cadre, the strengthening of labor and political discipline, increased control levels, a high degree of organization and efficiency, widespread socialist competition, and the decisive suppression of cases involving lack of discipline and the violation of norms of communist morality.

All work should be subordinated to ensuring the fulfillment and overfulfillment of the 1983 State Budget, the economical and correct expenditure of resources, and the strengthening of plan and financial discipline.

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## INVESTMENT, PRICES, BUDGET AND FINANCE

### USSR COUNCIL OF MINISTERS DECREES BASIC PRINCIPLES ON BANK CREDIT

Moscow SOBRANIYE POSTANOVLENIY PRAVITEL'STVA SOYUZA SOVETSKIKH  
SOTSIALISTICHESKIKH RESPUBLIK in Russian, No 32, 1982 pp 611-652

[Decree No 983 of the USSR Council of Ministers adopted 11 November 1982]

[Text] I. General Section

1. Credit shall be extended to finance the economy of the USSR and the population by the USSR State Bank (USSR Gosbank), by the USSR All-Union Bank for Financing Capital Investments (USSR Stroybank) and by the USSR Bank for Foreign Trade (USSR Vneshtorgbank). The activity of the banks shall be aimed at implementing the uniform state policy in the field of credit financing. Credit shall be extended for the purposes of the development and higher efficiency of social production, acceleration of scientific-technical progress, improvement of product quality, stronger cost accounting (khozraschet) and circulation of money, and fuller satisfaction of the material and cultural needs of the public.

2. Credit financing shall be based on the state plan for the USSR's economic and social development. Banks shall extend short-term and long-term credits within the limits of the credit resources they possess.

Credit financing shall be direct, specific in aim and limited in time, credit shall be repayable, and credit shall be extended in accordance with actual progress in fulfillment of plans.

Credit shall be extended for stated periods of time on the basis of plans for production and sales, capital construction, the volume of freight traffic and sales turnover, purchases of agricultural products and other plans, and they must be repaid within the stated period in accordance with the obligations assumed by borrowers.

Credit shall be extended to cover merchandise and supplies and production costs and shall be secured by such inventories or products, which shall be put up as collateral as they are produced. Unsecured loans shall be granted only in the cases envisaged by USSR legislation. Credit may if necessary be granted under the guarantee of the borrower's superior authority.

Banks shall collect a charge on credit extended in the form of interest at the rates set by the USSR Council of Ministers and, in the cases it provides for-- by the banks in agreement with the USSR Ministry of Finance

3. Credit financing in the USSR shall be conducted in compliance with USSR laws, other decisions of the USSR Supreme Soviet and its presidium, the present Basic Principles and other decrees and regulations of the USSR Council of Ministers.

4. Banks shall use as resources for credit financing their own resources, uncommitted money funds of enterprises, associations, organizations and institutions, resources of the USSR State Budget, resources which it has attracted in the course of its foreign economic activity, and also the resources of individuals.

5. The banks shall extend short-term and long-term credits to enterprises, associations, organizations and individuals in conformity with credit plans.

The drafts of plans for short-term and long-term credit financing shall be drafted by USSR Gosbank and USSR Stroybank and submitted to the USSR Council of Ministers for approval.

Ministries, departments, other agencies in administration of the economy, councils of ministers of union and autonomous republics, ispolkoms of soviets of people's deputies, enterprises, associations and organizations shall file applications with the banks for credit and shall also submit to the banks other materials required for drafting credit plans, according to the procedure and within the periods of time stated by the banks.

6. Within the limits of the total volume of credit set forth in the respective credit financing plan the banks may with the sponsorship of the councils of ministers of union and autonomous republics, ispolkoms of soviets of people's deputies and also USSR ministries and departments and other agencies in administration of the economy extend additional credit to cover needs arising in the course of fulfillment of plans from the reserves of bank boards and also on the basis of credit not used in the process of fulfillment of plans.

7. Ministries and departments may keep at their own disposition a reserve of undistributed credit not to exceed 5 percent of the limits set in the plan for short-term credit financing and the plan for long-term credit financing for the respective ministry or department for the purpose of subsequent distribution of those credits among measures not being financed with credit, including those not envisaged by the plan.

8. In approving long-term credit financing plans for the republic councils of ministers of union republics may create a reserve of undistributed credit not to exceed 3 percent of the credit financing limit assigned to the union republic for kolkhozes, interfarm enterprises (organizations) in agriculture and fishing, for individuals who have resettled, for the rural population, for market gardening partnerships (cooperatives) and for rural housing construction cooperatives, and they may also specify within that reserve the respective

reserves for councils of ministers of union republics, ispolkoms of kray and oblast soviets of people's deputies to meet additional need for credit of this category of borrowers.

9. USSR Gosbank and USSR Stroybank shall have the right in agreement with USSR ministries and departments and councils of ministers of union republics to redistribute as follows:

i. among union republics and USSR ministries and departments--long-term credit envisaged for state enterprises, associations, organizations, kolkhozes, interfarm enterprises (organizations) in agriculture and fishing, and organizations of the consumer cooperative system. The redistribution shall be made within the limits set in the long-term credit financing plan for the respective category of borrowers and shall be made for specific purposes (with the exception of credit set aside for cooperative housing construction) within the limits set in the long-term credit financing plan for those purposes;

ii. among union republics--long-term credit for individuals who have resettled, the rural population, market gardening partnerships (cooperatives) and rural housing construction cooperatives within the limits set in the long-term credit financing plan for the respective category of borrowers.

USSR Gosbank and USSR Stroybank shall have the right to make changes if necessary in the proportion of long-term credit envisaged for retooling and reconstruction of existing enterprises within the limits set in the long-term credit financing plan for state capital investments for the USSR ministry and department and for the union republic.

USSR Gosbank shall have the right with the sponsorship of councils of ministers of union republics to increase by no more than 10 percent the proportion of long-term credit for kolkhozes extended from unused credit established in the long-term credit financing plan as a whole for kolkhozes.

10. Mutual credit financing by enterprises, associations and organizations in kind or in money, including the payment of advances to one another, shall be prohibited with the exception of the cases set forth in USSR legislation, and for institutions financed under the state budget--by the USSR Ministry of Finance.

## II. Short-Term Credit

11. Short-term credit shall be one of the sources for forming the working capital of enterprises, associations and organizations and shall be extended for periods of time arising out of the plans assigned to them, but not for more than 12 months. Credits may be extended for terms exceeding 12 months in cases envisaged by the present Basic Principles and by other decisions of the USSR Council of Ministers.

Banks shall extend short-term credit to finance enterprises, associations and organizations with cost accounting which have their own balance sheet and which have been allotted their own working capital.

In the cases envisaged by USSR legislation short-term credit may be extended to institutions.

Credit shall be extended to kolkhozes in accordance with the prescribed procedure to cover production outlays.

Ministries, departments and other agencies in administration of the economy shall make use of bank credit in connection with functions and operations they perform in a centralized manner and in other cases envisaged by USSR legislation.

12. When extending credit to finance merchandise and supplies and production outlays the banks shall take into account the assigned allowances of "own" working capital and shall also take into account loans for temporary replenishment of a shortage of "own" working capital and loans extended by decision of the USSR Council of Ministers as a temporary source of such capital.

13. Credit must not be used to cover losses, irreducible stocks of merchandise and supplies nor production outlays which should be covered by "own" working capital, products produced over and above the plan for which there are limited sales, above-plan and unused remainders of merchandise and supplies, except in cases envisaged by the present Basic Principles and other decisions of the USSR Council of Ministers.

14. Short-term credit shall be extended to cover merchandise and supplies, for production outlays and for other purposes in accordance with Appendix 1.

Short-term credit financing for purposes not indicated in Appendix 1 shall be confined to the cases envisaged by decisions of the USSR Council of Ministers or by the banks when it has so ordered.

The specific types of outlays and inventories of merchandise and supplies for which credit is extended and the terms and conditions of credit financing so as to take into account the sectoral peculiarities of enterprises, associations and organizations shall be determined by the banks.

Credit shall be extended through the special loan account to finance procurement organizations, enterprises and associations which procure and process agricultural raw materials to cover inventories of those raw materials, to trade and supply-and-sales organizations to cover commodity turnover, and to enterprises and associations in industry to cover the turnover of supply inventories and outlays for wages.

15. When credit is extended to finance enterprises, associations and organizations to cover standard inventories of merchandise, the share of "own" working capital in paying for them must equal the following minimum:

- a. 35 percent in supply-and-sales organizations;
- b. 30 percent in organizations in the system of USSR Goskomsel'khoztekhnika [State Committee for Supply of Production Equipment for Agriculture] and Soyuzsel'khozkhimiya;

c. 50 percent for organizations in the state trade system (with the exception of specialized wholesale organizations);

d. 35 percent for state specialized wholesale organizations engaged in the trade of nonfood merchandise, and 40 percent for other state specialized wholesale organizations;

e. 15 percent for retail trade organizations in the consumer cooperative system;

f. 10 percent for wholesale trade organizations in the consumer cooperative system.

16. When credit is being extended to finance enterprises and associations in nonseasonal branches of industry to cover the turnover of inventories and outlays for wages, the share of "own" working capital to pay for inventories and production outlays must be at least 50 percent. The "own" working capital of enterprises and associations being replaced by bank credits shall be placed in a special account in the bank and shall be used as resources for short-term credit financing.

17. New short-term credit shall not be granted if there is delinquent indebtedness under short-term loans extended previously.

This rule shall not apply in extension of credit to enterprises, associations and organizations procuring agricultural products to make settlement with sellers of such products nor in other cases envisaged by decisions of the USSR Council of Ministers.

When there is delinquent indebtedness on loans received previously, the bank shall have the right to extend credit, assigning it to extinguishing the delinquent indebtedness under loans of the bank and to paying billing documents for merchandise and supplies which have been delivered, for work done, and for services rendered.

18. Indebtedness under short-term loans shall be extinguished as follows:

i. by compulsory exaction from current accounts of enterprises, associations and organizations, the established order of priority to be observed with respect to occurrence of deadlines or delinquency of payments and also in connection with the calling in of loans before term (when there has been a breach of the conditions for credit financing);

ii. by crediting all proceeds from the sale of products and commodities to special loan accounts of procurement, trade and supply-and-sales organizations, enterprises and associations in industry, which have been extended credit to finance the turnover of inventories and outlays for wages, thereby bypassing current accounts;

iii. by making transfers from current accounts of enterprises and associations procuring and processing agricultural raw materials to repay loans in

the form of scheduled payments to be determined in proportion to the value of the average daily outgo for the production of the inventories being financed with credit. Should the resources in current accounts be insufficient to make the scheduled payment, all current receipts (after the meeting of claims for wages and payments to the budget) shall be immediately committed to extinguishing the delinquent indebtedness that has been created under those loans, by-passing current accounts.

A loan may be extinguished before the date of a payment by order of the borrower.

All a debtor's money resources accruing to him from the bank regardless on what basis may be credit to full or partial settlement of indebtedness to the bank.

19. When enterprises, associations and organizations experience temporary financial difficulties, banks may grant them extensions in repayment of the following:

i. planned loans issued to cover merchandise and supplies and production outlays in cases when the use and sale of those inventories or reimbursement of those outlays do not depend on the enterprises, associations and organizations--for a period not to exceed 6 months;

ii. loans for temporary purposes in cases when these loans may not be repaid within the period specified for reasons beyond the control of the enterprises, associations and organizations--for a period not to exceed 30 days;

iii. loans to complete settlement of accounts by offsetting mutual indebtedness--for a period not to exceed 60 days.

In other cases the repayment of loans shall be deferred by decision of the USSR Council of Ministers.

### III. Long-Term Credit

20. Long-term credit shall be extended by the banks to enterprises, associations and organizations to cover outlays for expanded reproduction of fixed capital and also to individuals for housing construction, for outfitting the household, and for other purposes envisaged by legislation in effect.

The terms and conditions for extension of long-term credit shall be defined by the present Basic Principles and by other decisions of the USSR Council of Ministers.

21. Should there be delinquent indebtedness under long-term loans extended previously, new long-term credit shall not be extended except in the cases envisaged by decisions of the USSR Council of Ministers.

22. Long-term credit shall be extended to cover the outlays and other purposes enumerated in Appendix 2.

Long-term credit shall be extended to finance purposes not indicated in Appendix 2 in cases envisaged by decisions of the USSR Council of Ministers.

23. Long-term credit shall be extended to state enterprises, associations and organizations to cover outlays envisaged in state plans of the USSR's economic and social development up to the limit of capital investments stated in those plans.

Long-term credit shall be extended to kolkhozes and other cooperative enterprises and organizations and to interfarm enterprises (organizations) in agriculture and fishing up to the limit of capital investments envisaged in calculations pertaining to the plan.

In cases envisaged by decisions of the USSR Council of Ministers, long-term credit shall be extended by the banks over and above the limits of capital investments but not to exceed the amount stated in long-term credit financing plans.

Credit shall be extended up to the full estimated cost of the respective projects, consideration being paid to the use of "own" capital when this has been envisaged by the plan.

24. The banks may extend to state enterprises, associations and organizations, kolkhozes and other cooperative enterprises and organizations long-term credit on the basis of shares in carrying out measures to create interfarm enterprises (organizations) in agriculture and fishing.

State enterprises, associations and organizations, and also kolkhozes and other cooperative enterprises and organizations may commit funds for shares in the activity of interfarm enterprises (organizations) in agriculture and fishing on the basis of long-term credit allotted to them in the long-term credit financing plan to carry out measures indicated in Section IV of Appendix 2 to these Basic Principles, such credit to be repaid in the terms assigned to the participating farms for the respective purposes of credit financing.

25. Credit for construction and major repairs of private dwellings and outbuildings, for outfitting the household and for other purposes shall be extended as follows:

1. to builders who work in enterprises, institutions and organizations operating on the basis of cost accounting as well as in sovkhoses and other state agricultural enterprises, kolkhozes and other cooperative and public enterprises and organizations--through the respective enterprises, institutions and organizations, which shall assume liability;

11. to builders working in budget-financed institutions and organizations--with the sponsorship of those institutions and organizations and secured by the personal liability of the borrowers.

Credit for cooperative housing construction shall be extended through housing construction cooperatives.

26. Long-term credit shall be repaid as follows:

i. by state enterprises, associations and organizations out of profit, the portion of depreciation assigned to full restoration of fixed capital, resources of the production development fund and the fund for social welfare and cultural programs and housing construction, and from other resources duly committed to these purposes, as well as from amounts of the turnover tax (up to 50 percent) from the sale of consumer goods when the credit was extended to organize and augment their production;

ii. by cooperative enterprises and organizations from the resources of the fund for financing capital investments, from amounts of the turnover tax (up to 50 percent) from the sale of consumer goods in the cases specified by legislation when the credit has been extended to organize and augment their production, as well as from profit left at the disposition of enterprises and organizations;

iii. by kolkhozes from funds earmarked for financing capital investments;

iv. by interfarm enterprises (organizations) in agriculture and fishing out of profit, the portion of depreciation committed to full restoration of fixed capital, resources of the development fund and the fund for social welfare and cultural programs and housing construction, and from the resources of the participating farms in the specified cases.

Funds to repay long-term credit subject to repayment in the next calendar year shall be provided for in the financial plans of enterprises, associations and organizations.

The repayment of credit granted to individuals for housing construction and for other purposes shall be made from the resources of the borrowers. In cases envisaged by current legislation a portion of the credit shall be repaid from the resources of economic incentive funds of enterprises, associations and organizations as well as from resources of the state budget.

#### IV. Supervision of the Banks Over the Financial and Economic Activity of Enterprises, Associations and Organizations Related to Credit Financing

27. In the process of short-term credit financing the banks shall exercise supervision over fulfillment of plans for production and sales, the marketed output of construction, freight traffic, commodity turnover, procurements of agricultural products, financial plans and other plans, and also over use of "own" and borrowed funds for the specified purpose and enforcement of planning, settlement, financial and credit discipline.

In the process of long-term credit financing the banks shall exercise supervision over correct and effective use of capital investments, over their concentration at construction sites and projects near completion, over the existence of project plans and estimates, over adherence to the estimated cost, allowed construction times and limits of capital investments, and over the punctual activation of fixed capital, production capacities and projects.

28. In extending credit banks shall make provision for a differentiated approach to enterprises, associations and organizations, granting preferences to those performing well and applying the measures of credit pressure toward enterprises, associations and organizations performing poorly.

The banks shall devise the differentiated approach in the credit financing of enterprises, associations and organizations on the basis of the level of fulfillment of plans assigned them for delivery of products for production and technical purposes and consumer goods in accordance with the products list (assortment) and according to schedule in accordance with contracts concluded, job orders, plans for the rendering of services, for the export and import of goods, for the marketed output of construction, the plan for production of products in the superior-quality category, the profit plan, assignments for the rise of labor productivity and for the production cost, and also on the basis of ensuring the preservation of "own" working capital.

29. The banks may grant the following benefits in short-term credit financing to enterprises, associations and organizations fulfilling the assigned plans and targets:

a. the granting of loans in connection with temporary financial difficulties for a term not to exceed 60 days to meet needs arising in the course of production and sales;

b. the granting of a loan to pay wages for a term not to exceed 30 days regardless of the existence of delinquent indebtedness to the bank.

In certain cases banks may grant these benefits to enterprises, associations and organizations when there is a temporary lag in fulfillment of plans for delivery of products for production and technical purposes and consumer goods in accordance with the products list (assortment) and by the dates conforming to contracts concluded and job orders in connection with a delay of shipment of finished products because of transportation difficulties or cessation of shipment to customers who are in arrears, and also when there is a lack of "own" working capital resulting from nonreceipt of resources they were entitled to in accordance with financial plans.

30. The banks may place on a special credit financing regime in connection with short-term credit financing enterprises, associations and organizations not fulfilling plans and targets for all or certain indicators and not taking steps to improve their performance.

The special credit financing regime shall be introduced 30 days following notification of the managers of enterprises, associations and organizations and also ministries, departments and ispolkoms of soviets of people's deputies to which they are subordinate.

The following measures of economic pressure shall be applied against enterprises, associations and organizations placed on the special credit financing regime:

- i. interest rates for the use of credit shall be raised by 20 percent;
- ii. credit for temporary replenishment of a shortage of "own" working capital shall be extended only under a guarantee by the superior organization;
- iii. the granting of certain types of credit shall be suspended except for credit for settlements with suppliers of agricultural products and with foreign trade organizations;
- iv. the extension of credit to cover the turnover of inventories and outlays for wages shall be limited to the size of exacted amounts of "own" working capital.

The following additional measures of economic pressure may be applied against enterprises, associations and organizations which at the end of 6 months from the date they were placed on the special credit financing regime have not improved their performance:

- i. complete termination of short-term credit financing, except for extension of credit for settlement with suppliers of agricultural products and with foreign trade organizations, and also credit to cover the turnover of inventories and outlays for wages within the limits of the amount of "own" working capital exacted from them;
- ii. presentation of short-term loans extended earlier for collection before term;
- iii. direct commitment of proceeds from the sale of inventories to extinguish indebtedness under short-term loans secured by those inventories.

31. A differentiated approach in the credit financing of construction contractors shall conform to the procedure established by USSR legislation for the budget financing and credit financing of construction.

32. The performance of enterprises, associations and organizations placed on the special credit financing regime shall be subject to on-the-spot verification by their superior organizations, in which representatives of financial authorities and bank institutions shall participate.

Superior organizations shall examine the results of these inspections and shall take urgent steps to improve the financial and economic activity of enterprises, associations and organizations.

33. With respect to enterprises, associations and organizations which are not discharging their obligations to the banks and which are committing violations of planning, settlement, financial and credit discipline, the banks shall have the following rights:

- i. to terminate credit financing entirely or partially except in the cases envisaged by USSR legislation;

ii. to call in loans before term in cases when loans are no longer secured, when the funds furnished have been used for other than the specified purpose or there has been a breach of the established rules governing credit financing, when collateral has been sold or consumed and the proceeds have not been committed to repayment of indebtedness to the banks, when the storage of merchandise and supplies which are collateral for loans is unsatisfactory, in cases of evasion of bank supervision, and also in cases of suspension of credit financing of enterprises, associations and organizations;

iii. to place enterprises, associations and organizations on a system of credit financing requiring the guarantee of superior organizations.

34. The procedure for applying the measures of economic pressure shall be defined by the banks.

35. In the case of lengthy, exceeding 60 days, delinquent indebtedness under loans secured by inventories of merchandise and supplies, after meeting claims for wages and payments to the budget, the banks have the right to assign proceeds from the sales of those inventories directly to repayment of the indebtedness.

Should resources be lacking in the debtor's account, inventories of merchandise and supplies belonging to the debtor which have not been pledged as collateral may also be attached with the exception of fixed capital and other property which may not be attached in accordance with legislation in effect.

#### Appendix 1. List of Purposes Financed With Short-Term Credit

| <u>Purposes of Credit Financing</u>  | <u>Period of Time for Use of Credit and Peculiarities of Credit Financing</u> |
|--|---|
| Seasonal stocks of agricultural products, other production supplies, stocks of intermediate products of "own" manufacture, finished products, and seasonal outlays of work in process*   | Up to 12 months   |
| Above-allowance nonseasonal stocks of merchandise and supplies and production outlays; machines shipped under decisions of the USSR Council of Ministers or the council of ministers of the union republics to exhibitions in other countries where they will be exhibits and also to exhibitions within the country | Up to 12 months   |
| Above-allowance production stocks, remainders of special tools, special attachments, outlays representing work in process in cases when the accumulation of those  | Up to 18 months   |

\* Credit for these purposes shall also be extended to enterprises in nonseasonal branches which have within their organization subsidiary farming operations which are not on cost accounting.

| <u>Purposes of Credit Financing</u>  | <u>Period of Time for<br/>Use of Credit and<br/>Peculiarities of<br/>Credit Financing</u>   |
|--|---|
| stocks and the making of those outlays have resulted from the manufacture of a new product, from improvement of the quality of products, and also the sorting out of merchandise and creation of stocks of merchandise in the necessary assortment in connection with transition to operation on the basis of direct contracts with trade organizations  |   |
| Above-allowance stocks of production supplies and inputs of work in process formed in connection with adoption of new methods of the organization of production  | Up to 12 months   |
| Above-allowance stocks of production supplies and inputs of work in process related to development of new types of machines and equipment when the period of time established for their manufacture exceeds 1.5 years  | Up to 5 years   |
| Above-allowance stocks of merchandise and supplies in the possession of enterprises, associations and organizations in industry when during the calendar year there is a discrepancy between periods when stocks of merchandise and supplies are built up and the planned increase in the allowance of "own" working capital   | Up to 12 months   |
| Above-allowance stocks of raw materials and supplies, inputs of work in process, remainders of specialized tools and specialized attachments, forming in connection with a change in the production program according to the prescribed procedure, with deferment of the period for manufacture of certain types of products, with a change in the products list, with suspension of a product's manufacture or its withdrawal from production, and with temporary suspension of the filling of orders | Up to 6 months<br>from the moment<br>when the respec-<br>tive decision was<br>taken   |
| Above-plan remainders of merchandise and supplies, including those not to be used by the enterprises, associations and organizations   | Up to 12 months<br>Credit shall be<br>extended to en-<br>terprises, asso-<br>ciations and or-<br>ganizations tak-<br>ing authentic<br>steps to sell<br>(use) merchandise<br>and supplies un-<br>der the condi-<br>tions provided<br>for in credit<br>agreements with<br>borrowers |

Appendix 1 (continued)

| <u>Purposes of Credit Financing</u>   | <u>Period of Time for Use of Credit and Peculiarities of Credit Financing</u>   |
|---|---|
| Above-allowance stocks of merchandise in the possession of supply-and-sales and trade organizations   | Up to 12 months   |
| Allowed stocks:   |   |
| Of merchandise and supplies in the possession of enterprises and associations in industry   | Up to 12 months   |
| Of merchandise in the possession of supply-and-sales and trade organizations  | Up to 12 months   |
| Seasonal accumulation of merchandise in the possession of supply-and-sales and trade organizations  | Up to 12 months   |
| Merchandise shipped ahead of schedule (because of conditions for freight shipment) in the possession of supply-and-sales and trade organizations located in the regions of the Far North and in remote and mountain areas   | Up to 12 months   |
| To meet the needs of trade organizations arising in the process of the shipment and sale of goods   | Up to 90 days   |
| Merchandise and supplies en route:  |   |
| Direct shipment   | Up to 3 months from the date of their shipment  |
| Combined rail and water shipment  | Not to exceed 5 months from the date of their shipment  |
| Delayed en route more than 3 months   | Not to exceed 5 months from the date of their shipment  |
| Being delivered to the regions of the Far North and regions equivalent to the regions of the Far North  | On application of USSR ministries and departments and councils of ministers of union republics the banks may extend the credit financing period up to 18 months |
| Export goods and imported goods located in the USSR and abroad, services rendered, securities and other payments documents involved in export and import operations, as well as outlays in foreign economic activity as determined by the USSR Council of Ministers | Up to 12 months   |

Purposes of Credit Financing

Seasonal outlays related to production and procurement of products, outlays for preparatory and stripping operations in mining, outlays for major repairs of fixed capital

Outlays of enterprises, associations and organizations in industry and construction contractors incurred in performance of operations to prepare new production operations and to put new products into production (including startup and setup), outlays of rayon (inter-rayon) production associations in the system of USSR Goskomsel'khoshtekhnika incurred in the preparation of new production operations and the organization of the production of new types of products (including startup and setup) by repair shops and stations for technical servicing of machines and equipment which are components of those associations

Outlays of construction contractors, project planning organizations, geological prospecting organizations and drilling organizations for work in process (construction and installation work, project planning and surveying work, geological explorations, and drilling operations)

Period of Time for Use of Credit and Peculiarities of Credit Financing

Up to 12 months

Up to 3 years  
Credit shall be extended over and above the sources of financing designated for those purposes to cover the period of time planned for performance of the operations, and expenditures are to be charged according to the prescribed procedure to the production cost of the product from the facility in question

Up to the date planned for their delivery to customers

After the planned date has passed, credit financing shall continue with a higher rate of interest being collected on the loan. Credit financing shall be furnished up to the amount of resources made available to customers in connection with the

Purposes of Credit Financing

Period of Time for  
Use of Credit and  
Peculiarities of  
Credit Financing

Outlays to build up the standard allowance of working capital for work in process represented by construction and installation work by construction and installation contractors in the period between dates for settlement of indebtedness under loans

transition to settlement for completed operations without interim payments  
Up to 12 months  
Credit is to be extended in a proportion not to exceed 10 percent of the annual volume of work to be performed by construction and installation organizations with their own resources when they lack "own" capital for that purpose. Credit shall be furnished up to the amount of the resources made available to customers in connection with the transition to settlement for completed work without interim payments

Outlays of scientific research, project planning and design, and process engineering organizations making settlement for work entirely completed and accepted by the customer

Up to the planned date for delivery of the work  
After passage of the planned deadline for delivery of the work, the issuance of credit shall continue at the higher rate of interest

Purposes of Credit Financing

Period of Time for  
Use of Credit and  
Peculiarities of  
Credit Financing

For temporary needs of enterprises, associations and organizations experiencing financial difficulties in the course of fulfilling production plans and plans for distribution of merchandise and supplies (secured by above-allowance remainders of merchandise and supplies and inputs of working process)

Outlays for makeup and installation of processing equipment, processing lines and units, and mechanization, automation, control and monitoring equipment

Outlays to acquire large-scale domestic processing and power equipment for production facilities and also imported equipment (complete sets of equipment and individual machines) and machines requiring installation, as well as wire and cable

Credit financing shall be confined to the resources made available to customers in connection with the transition to settlement for completed work without interim payments

Up to 60 days

Up to the date planned for completion of delivery of the entire set or its installation

When the planned date has passed, credit financing shall be continued with a higher rate of interest collected on the loan

Up to the date planned for submittal for installation (the planned period for credit financing of imported equipment may not exceed 1 year except in cases envisaged by decisions of

Purposes of Credit Financing

Period of Time for  
Use of Credit and  
Peculiarities of  
Credit Financing

|  |   |
|--|---|
|  | the USSR Council of Ministers)<br>After the planned date has passed for submittal of the equipment for installation, credit financing shall continue at the higher rate of interest. If in view of the technical specifications installation of the equipment cannot be accomplished by parts, then the period for credit financing shall be computed from the moment when the entire set of equipment (machines) arrives |
| Outlays to acquire processing equipment, processing lines and units and other plantwide equipment for production facilities and municipal services and utilities   | For the period set forth in the plan for submittal of the equipment for installation, but not to exceed 6 months  |
| For temporary replenishment of the shortage of "own" working capital of enterprises, associations and organizations which have allowed the shortage to occur because of nonfulfillment of the profit plan and because above-plan expenditures have been incurred from profit | Not to exceed 3 years<br>Credit is to be extended on the basis of credit agreements with borrowers which envisage the specific conditions for granting the loan and the   |

Purposes of Credit Financing

Period of Time for  
Use of Credit and  
Peculiarities of  
Credit Financing

measures to be performed in order to replenish the lost "own" working capital up to the level set forth in plans

The loan shall be repaid from the additional profit derived from performance of organizational and technical measures on the basis of assignments set forth by ministries and departments and also from above-plan profit subject to assignment to those purposes according to prescribed procedure, and if those sources should be inadequate--by reducing the deductions from profit to economic incentive funds in a proportion not to exceed 30 percent

Projects to be financed with the resources of the unified fund for development of science and technology when there is a discrepancy during the year between the inflow of resources into that fund and the size of outlays made from that fund

Credit is to be extended to ministries and departments for a period up to the end of the calendar year

Purposes of Credit Financing

Period of Time for  
Use of Credit and  
Peculiarities of  
Credit Financing

Projects to be financed with resources from the unified fund for development of science and technology when they are performed in a shorter period of time than envisaged by the plan

Up to 12 months

Outlays for highly effective measures related to development of science and technology to be carried out by scientific-production and production associations and enterprises, not envisaged by the plan

Up to 2 years from the date it was granted

The credit is extended under a guarantee of ministries, departments or all-union (republic) industrial associations and is repaid with resources from the unified fund for development of science and technology

Loans in kind made to kolkhozes, sovkhoses and other agricultural enterprises; advance against settlements with suppliers of products

Up to 12 months

For expenditures to pay wages

Up to 30 days when there is a temporary shortage of funds

Loans are repaid in the order of priority established for payment of wages

Secured by orders to exact profit from enterprises, associations and organizations in accordance with financial plans and also resources intended for formation of the unified fund for development of science and technology

The credit is extended to ministries, departments and other organizations which have the right of compulsory exaction of funds from subordinate organizations,

Purposes of Credit Financing

Secured by orders for redistribution of working capital and other resources of enterprises, associations and organizations in accordance with prescribed procedure

Period of Time for Use of Credit and Peculiarities of Credit Financing

associations and organizations up to the amount of the resources to be transferred under the order, for the period until the payment is made or until notice is received that the payer lacks the funds. Funds exacted from enterprises, associations and organizations shall immediately be assigned to repayment of the loan

The credit is to be extended to ministries, departments and other organizations which have the right of compulsory exaction of resources from subordinate enterprises, associations and organizations up to the amount of the resources to be transferred under the order, for the period until payment is made or notice received that the payer lacks fund . Resources received from

Purposes of Credit Financing

For payment of orders for exaction of profit and funds intended for formation of the unified fund for development of science and technology in accordance with financial plans and also orders for redistribution of working capital and other resources according to the prescribed procedure

Secured by billing documents en route which have been sent by the supplier for merchandise and supplies which have been shipped, for work which has been done and services rendered, as well as for the opening of letters of credit, special accounts and for the purchase of limited checkbooks

For completion of settlement of accounts of enterprises, associations and organizations in connection with group offsetting of mutual indebtedness

For payment of payment documents accepted by enterprises, associations and organizations on products delivered in accordance with contracts concluded, for work done and for services rendered

Period of Time for Use of Credit and Peculiarities of Credit Financing

enterprises, associations and organizations shall be immediately assigned to repayment of the loan

For a period up to 30 days when temporary financial difficulties occur. It is permissible for the banks not to suspend the issuance of credit when enterprises, associations and organizations have delinquent indebtedness under loans lasting less than 30 days  
For the normal period of document turnover

Up to 60 days

Credit is extended for a period up to 60 days when the payment deadline has occurred and the purchaser temporarily lacks the funds

Upon expiration of the established period of time credit financing

Appendix 1 (continued)

Purposes of Credit Financing

Period of Time for  
Use of Credit and  
Peculiarities of  
Credit Financing

shall continue at  
the higher rate  
of interest on  
the loan

The loan is to be  
repaid in the or-  
der of priority  
established for  
payment of mer-  
chandise and sup-  
plies and ser-  
vices

Appendix 2. List of Purposes To Be Financed With Long-Term Credit

| <u>Purposes Financed With Credit</u>  | <u>Maximum Terms<br/>of Credit</u>   | <u>Year After Exten-<br/>sion of Credit<br/>When Repayment of<br/>Loan Is To Begin</u> |
|---|--|--|
| I. State Enterprises, Associations and Organizations (not including sovkhoses and other state agricultural enterprises)   |  |  |
| Outlays for construction of new enterprises when capital investments according to the project plan are to be repaid within a period less than 5 years, for retooling, reconstruction and expansion of existing enterprises, for construction of enterprises and facilities on the basis of compensation agreements and contracts with firms of the capitalist countries | Up to the standard (planned) dates for construction, for attainment of rated capacity and for payoff | Upon activation  |
| Outlays for construction of housing and facilities for cultural and consumer services up to the limit of 50 percent of the estimated construction cost (when resources are lacking in the fund for social welfare and cultural programs and housing construction)   | Up to 2 years  | As resources flow in the fund  |

Appendix 2 (continued)

| <u>Purposes Financed With Credit</u>   | <u>Maximum Terms<br/>of Credit</u> | <u>Year After Extension of Credit<br/>When Repayment of<br/>Loan Is To Begin</u>   |
|--|------------------------------------|--|
| <b>II. Kolkhozes, Sovkhozes and Other State Agricultural Enterprises</b>   |                                    |  |
| Outlays for construction, expansion, reconstruction and retooling of enterprises, complexes and facilities for the production of products of animal husbandry and poultry raising, repair shops, enterprises for production of building materials, hothouse and greenhouse operation, driers and storage facilities for farm products, and also storage facilities and other installations for production, storage and processing of animal feed; outlays for electrification, gasification and for introduction of telephone and radio communication in production facilities | Up to 20 years                     | 6th year   |
| Outlays for construction of irrigation and reclamation structures, development of reclaimed land, creation of irrigated cultivated pastures, for construction of ponds, reservoirs, wells, and water supply lines for production purposes  | Up to 20 years                     | 6th year<br>When credits are extended to develop reclaimed land, repayment begins with the 1st year after expiration of the standard periods of time for attainment of the rated volume of production of farm products |
| Outlays for construction, expansion, reconstruction and retooling of subsidiary industrial enterprises, stations for processing farm products, wild fruits, berries and mushrooms, yards for parking machines, open sheds and other structures for storing equipment, livestock slaughtering stations, petroleum storage facilities, warehouses for storing fertilizers and chemicals for plant pest and   | Up to 6 years                      | 3d year  |

Appendix 2 (continued)

| <u>Purposes Financed With Credit</u>  | <u>Maximum Terms<br/>of Credit</u> | <u>Year After Extension of Credit<br/>When Repayment of<br/>Loan Is To Begin</u> |
|---|------------------------------------|--|
| disease control, and other production structures  |                                    |  |
| Outlays of kolkhozes to clean the on-farm feeder and drainage network and to leach irrigated lands that have become saline              | Up to 5 years                      | 2d year  |
| Outlays to apply lime and gypsum to soils, including outlays to acquire and obtain lime, unless they are financed from the state budget | Up to 10 years                     | 4th year   |
| Outlays to acquire:   |                                    |  |
| Tractors and combines   | Up to 8 years                      | 3d year  |
| Agricultural, erosion-control and reclamation equipment, transportation equipment, and equipment not included in construction estimates | Up to 5 years                      | 3d year  |
| Outlays for construction and acquisition by fishing kolkhozes:  |                                    |  |
| Maritime fishing vessels with capacity of the main engine:  |                                    |  |
| 300 HP or more  | Up to 12 years                     | 4th year   |
| Between 150 and 300 HP  | Up to 10 years                     | 4th year   |
| Other fishing and transport vessels and machinery for fishing, tugs, barges and motorboats for transport purposes                       | Up to 7 years                      | 3d year  |
| Fishing tackle (with a depreciation period more than 1 year)  | Up to 3 years                      | 2d year  |
| Outlays for establishment of the following:*  |                                    |  |
| Orchards, vineyards,** plantations of subtropical crops and forest belts  | Up to 12 years                     | 7th year   |
| Berry plantings, plantings of hops, mulberry trees, medicinal and essential oil crops   | Up to 6 years                      | 3d year  |
| Plantings of caraway and sage   | Up to 3 years                      | 2d year  |
| Nurseries for perennial plantations   | Up to 5 years                      | 3d year  |
| Outlays to equip vineyards** and hops plantations with trellises  | Up to 6 years                      | 3d year  |
| Outlays to develop new land and to improve meadows and pastures   | Up to 6 years                      | 3d year  |

\* Including outlays to cultivate plantings.

\*\* Except for specialized grape-growing sovkhoses and nurseries.

Appendix 2 (continued)

| <u>Purposes Financed With Credit</u>  | <u>Maximum Terms of Credit</u>   | <u>Year After Extension of Credit When Repayment of Loan Is To Begin</u>       |
|---|--|--|
| Outlays to build roads and bridges, to arrange fords and dams (the credit is extended to sovkhoses and also kolkhoses who have received individuals who have resettled and which are newly organized consisting of those who have resettled for a period of 3 years from the date when the resettlement or organization is completed) | Up to 15 years   | 5th year   |
| Performance of erosion control measures by kolkhoses if they are not being financed from the state budget   | Up to 15 years   | 6th year   |
| Outlays of fishing kolkhoses for construction, expansion and reconstruction of refrigerators and enterprises for processing fish and other marine products  | During the planned time for construction and pay off of outlays for construction of these facilities, but not to exceed 10 years | The year following expiration of the planned period for completion of the work |
| Outlays to prepare peat and lime deposits for extraction of peat and lime, unless they have been financed from the state budget   | Up to 6 years  | 3d year  |
| Outlays of kolkhoses to acquire the following:  |  |  |
| Pedigree cattle (adult and young), camels, reindeer and adult pedigree horses   | Up to 6 years  | 3d year  |
| Cattle of improved breeds to make up the foundation herd  | Up to 3 years  | 2d year  |
| Pedigree sheep and hogs, fur-bearing animals, bee colonies and hives  | Up to 3 years  | 2d year  |
| Game animals in regions of the Far North and equivalent remote localities   | Up to 7 years  | 2d year  |
| Outlays of kolkhoses to transfer young animals to the foundation herd   | Up to 3 years  | 2d year  |
| Outlays for construction on kolkhoses of housing, children's preschool institutions, clubs and other facilities   | Up to 15 years   | 5th year   |

Appendix 2 (continued)

| <u>Purposes Financed With Credit</u>   | <u>Maximum Terms<br/>of Credit</u> | <u>Year After Extension of Credit<br/>When Repayment of<br/>Loan Is To Begin</u>                     |
|--|------------------------------------|--|
| for cultural and consumer services and municipal services and utilities*   |                                    |  |
| Outlays of kolkhozes to build schools, dormitories for pupils and housing for teachers   | Up to 15 years                     | 5th year   |
| III. Consumer Cooperative Organizations  |                                    |  |
| Outlays to build wholesale depots (storage facilities), warehouses, food service enterprises, facilities of professional hunting organizations and game farms, outlays for construction and expansion of enterprises to produce consumer goods, receiving and procurement stations, vegetable and potato storage facilities, fruit storage facilities and processing enterprises, and fattening and subsidiary farms | Up to 10 years                     | 5th year   |
| Outlays for construction of enterprises to render consumer services to the public in an amount up to 80,000 rubles   | Up to 6 years                      | 2d year  |
| Outlays to build livestock slaughtering stations and warehouses to store skins and pelts in an amount up to 200,000 rubles per facility  | Up to 10 years                     | 3d year  |
| IV. Interfarm Enterprises (Organizations) in Agriculture and Fishing   |                                    |  |
| Outlays to build new complexes:  |                                    |  |
| To raise and fatten livestock and poultry  | Up to 15 years                     | 3d year after completion of construction or putting the project into operation according to the plan |
| For milk production  | Up to 20 years                     | "  |

\* These outlays of kolkhozes inadequately supplied with fixed capital and lacking their own resources to accomplish expanded reproduction shall be financed from the state budget.

Appendix 2 (continued)

| <u>Purposes Financed With Credit</u>  | <u>Maximum Terms of Credit</u> | <u>Year After Extension of Credit When Repayment of Loan Is To Begin</u>                             |
|---|--------------------------------|--|
| Outlays for construction of new and for expansion and reconstruction of existing projects for the production of farm products and for construction of enterprises to produce livestock feed   | Up to 15 years                 | 3d year after completion of construction or putting the project into operation according to the plan |
| Outlays for construction of other new production facilities and for expansion and reconstruction of existing facilities for the production of industrial products   | Up to 7 years                  | "  |
| Outlays for development and expansion of the production capability of inter-farm construction organizations and for construction of enterprises to produce local building materials   | Up to 15 years                 | "  |
| Outlays to introduce new technology, to mechanize production and to perform other measures for technical improvement of production  | Up to 6 years                  | "  |
| Outlays to acquire machines, equipment and transportation equipment   | Up to 6 years                  | 2d year  |
| Outlays for construction of housing, dormitories, children's preschool institutions, schools, baths and other facilities for cultural and consumer service purposes within the limits of the share of kolkhozes and other cooperative enterprises (when they lack their own capital for these purposes) | Up to 15 years                 | 5th year after completion of construction according to the plan                                      |
| Outlays to establish the following:<br>Orchards, citrus, tea, tung and mulberry plantations   | Up to 12 years                 | 7th year after completion of the work of establishing them according to the plan                     |
| Vineyards   | Up to 12 years                 | 4th year after completion of the work of establishing them according to the plan                     |

Appendix 2 (continued)

| <u>Purposes Financed With Credit</u>  | <u>Maximum Terms<br/>of Credit</u> | <u>Year After Extension of Credit<br/>When Repayment of<br/>Loan Is To Begin</u> |
|---|------------------------------------|--|
| Outlays to acquire the following:   |                                    |  |
| Adult pedigree cattle and also<br>camels, reindeer and adult pedigree<br>horses | Up to 6 years                      | 3d year  |
| Pedigree sheep and hogs   | Up to 3 years                      | 2d year  |

List of Decisions of the USSR Government Which Have Law Validity

1. Decree of the STO [Council of Defense and Labor] dated 8 March 1919 and entitled "On Proper Use of Internal Potential of State Enterprises" (SZ SSSR [Collection of USSR Laws], No 19, 1929, Item 168).
2. Decree of TsIK [Central Executive Committee] and Sovnarkom SSSR [USSR Council of People's Commissars] dated 30 January 1930 and entitled "On the Credit Reform" (SZ SSSR, No 8, 1930, Item 98; No 34, Item 373; No 74, 1932, Item 454).
3. Decree No 350 of Sovnarkom SSSR dated 16 August 1930 and entitled "On Reports of the People's Commissariat of the Worker-Peasant Inspectorate of the Union of SSR on Results of Examination of the Conduct of the Credit Reform and the State Bank of the Union of SSR on Progress in Carrying It Out" (SZ SSSR, No 48, 1930, Item 504).
4. Points 7 and 12 of Decree No 52 of Sovnarkom SSSR dated 14 January 1931 and entitled "On Measures To Improve the Practice of the Credit Reform" (SZ SSSR, No 4, 1931, Item 52).
5. Points 4, 5 and 6 of Decree No 229 of Sovnarkom SSSR dated 20 March 1931 and entitled "On Changes in the System of Credit Financing, on Strengthening the Credit Reform, and on Ensuring Cost Accounting (khozraschet) in All Economic Agencies" (SZ SSSR, No 18, 1931, Item 166).
6. Decree No 243 of Sovnarkom SSSR dated 26 March 1931 and entitled "On Amendment of the Decree of the Council of People's Commissars of the Union of SSR Dated 14 January 1931 on Measures To Improve the Practice of the Credit Reform" (SZ SSSR, No 20, 1931, Item 174).
7. Points 5-7 of Decree No 1247 of Sovnarkom SSSR dated 20 June 1935 and entitled "On Settlements of Procurement Agencies With Kolkhozes for Agricultural Procurements, the Procedure To Finance Procurement Offices With Credit From the State Bank and on Settlements of Industry With Procurement Organizations" (SZ SSSR, No 40, 1935, Item 336), the procedure for credit financing of rayon procurement offices of the consumer cooperative system being preserved, and also Points 8-10 of that decree.

8. Points 6 and 7 of Decree No 885 of Sovnarkom SSSR dated 19 May 1936 and entitled "On the Work of the Plemzagotkontora [Pedigree Cattle Procurement Office] of Narkomzem SSSR [People's Commissariat of Agriculture USSR]."
9. Points 3 and 7 of the section entitled "On the Credit Plan" in Decree No 424 of the Economic Council of SNK SSSR [Council of People's Commissars USSR], dated 9 May 1939.
10. Points 4 and 5 of Decree No 635 of the Economic Council of SNK SSSR dated 3 May 1940.
11. Point 14 of Decree No 224 of the Economic Council of SNK SSSR dated 20 February 1941.
12. Regulation No 7970 of Sovnarkom SSSR dated 5 May 1943.
13. Regulation No 11993 of Sovnarkom SSSR dated 27 June 1942.
14. Point 4 of Regulation No 15618 of Sovnarkom SSSR dated 14 August 1943.
15. Point 8 of Decree No 445 of Sovnarkom SSSR dated 22 April 1944 and entitled "On the Credit Plan of Sel'khozbank [Agricultural Bank] for 1944."
16. Point 7 of Decree No 543 of Sovnarkom SSSR dated 24 March 1945 and entitled "On the Credit Plan of Sel'khozbank for 1945."
17. Regulation No 7085 of Sovnarkom SSSR dated 29 April 1945.
18. Regulation No 8419 of Sovnarkom SSSR dated 30 May 1945.
19. Point 7 of Decree No 134 of Sovnarkom SSSR dated 19 January 1946 and entitled "On the Credit and Cash Plans of Gosbank for the First Quarter of 1946."
20. Regulation No 9419 of USSR Council of Ministers dated 31 July 1946.
21. Point 16 of Decree No 2647 of USSR Council of Ministers dated 9 December 1946 and entitled "On Expansion of Production of Medicines, Medical Instruments and Medical Equipment."
22. Decree No 186 of USSR Council of Ministers dated 29 January 1947 and entitled "On Settlements for Petroleum Products."
23. Regulation No 2967 of USSR Council of Ministers dated 26 March 1947.
24. Regulation No 17439 of USSR Council of Ministers dated 20 November 1948.
25. Regulation No 4877 of USSR Council of Ministers dated 14 April 1949.
26. Decree No 2546 of USSR Council of Ministers dated 18 June 1949 and entitled "On the Financial Condition and Improvement of Payment Discipline of Enterprises and Organizations of the USSR Ministry of Agriculture."

27. Points 4 and 12 of Decree No 2869 of USSR Council of Ministers dated 30 June 1949 and entitled "On the Credit and Cash Plans of Gosbank for the Third Quarter of 1949."
28. Point 2 of Regulation No 11270 of USSR Council of Ministers dated 24 July 1949.
29. Regulation No 15790 of USSR Council of Ministers dated 4 October 1949.
30. Point 6 of Decree No 4340 of USSR Council of Ministers dated 9 October 1949 and entitled "On Improvement of the Work of Republic, Kray and Oblast Offices of Sel'khozsnab [Agricultural Supply Component] of USSR Ministry of Agriculture."
31. Point 4 of Decree No 5975 of USSR Council of Ministers dated 30 December 1949 and entitled "On the Credit and Cash Plans of Gosbank for the First Quarter of 1950."
32. Regulation No 3961 of USSR Council of Ministers dated 22 March 1950.
33. Regulation No 5456 of USSR Council of Ministers dated 25 April 1950.
34. Regulation No 8342 of USSR Council of Ministers dated 10 June 1950.
35. Regulation No 11247 of USSR Council of Ministers dated 14 July 1950.
36. Regulation No 13506 of USSR Council of Ministers dated 26 August 1950.
37. Regulation No 13829 of USSR Council of Ministers dated 2 September 1950.
38. Decree No 3830 of USSR Council of Ministers dated 4 September 1950 and entitled "On Prombank's [Industrial Bank] Credit Financing of Construction and Installation Contractors To Pay Bills of Suppliers for Building Materials Shipped Under Prombank Guaranty."
39. Point 3 of Regulation No 18467 of USSR Council of Ministers dated 16 November 1950.
40. Point 7 of Decree No 451 of USSR Council of Ministers dated 20 February 1951 and entitled "On Measures To Increase the Stripping and Regeneration of Tin From Tinplate Scrap at Enterprises of USSR Ministry of Fish Industry, USSR Ministry of Food Industry, and USSR Ministry of Meat and Dairy Industry."
41. Regulation No 2024 of USSR Council of Ministers dated 22 February 1951.
42. Regulation No 3691 of USSR Council of Ministers dated 23 March 1951.
43. Regulation No 6047 of USSR Council of Ministers dated 26 April 1951.
44. Regulation No 10454 of USSR Council of Ministers dated 17 June 1951.

45. Point 7 of Decree No 5401 of USSR Council of Ministers dated 29 December 1951 and entitled "On the Credit and Cash Plans of Gosbank for the First Quarter of 1952."
46. Regulation No 2522 of USSR Council of Ministers dated 8 February 1952.
47. Point 1 of Regulation No 2917 of USSR Council of Ministers dated 13 February 1952.
48. Point 15 of Decree No 1240 of USSR Council of Ministers dated 7 March 1952 and entitled "On Measures To Improve Operation of the Fish Industry in Khabarovskiy Kray."
49. Regulation No 5745 of USSR Council of Ministers dated 18 March 1952.
50. Point 22 of Decree No 1724 of USSR Council of Ministers dated 8 April 1952 and entitled "On Organization of Centralized Trucking of Ferrous Metals and Metal Products From the Depots of Glavmetallobyt [Main Administration for Metal Supply and Sales] in Moscow and Moscow Oblast."
51. Point 1 of Regulation No 8277 of USSR Council of Ministers dated 11 April 1952.
52. Point 2 of Regulation No 12719 of USSR Council of Ministers dated 23 May 1952.
53. Point 23 of Decree No 2583-977 of USSR Council of Ministers dated 4 June 1952.
54. Regulation No 14714 of USSR Council of Ministers dated 12 June 1952.
55. Point 2 of Regulation No 21546 of USSR Council of Ministers dated 22 August 1952 with respect to extension of the validity of Point 15 of Decree No 1240 of USSR Council of Ministers dated 7 March 1952.
56. Regulation No 25111 of USSR Council of Ministers dated 27 September 1952.
57. Regulation No 29954 of USSR Council of Ministers dated 15 November 1952.
58. Regulation No 4735 of USSR Council of Ministers dated 2 March 1953.
59. Point 28, Subpoint d of Point 50, and Point 51 of Decree No 1002 of USSR Council of Ministers dated 11 April 1953 and entitled "On Expansion of the Rights of USSR Ministers."
60. Regulation No 8961 of USSR Council of Ministers dated 8 July 1953 with respect to the right envisaged by Point 28 of Decree No 1002 of USSR Council of Ministers dated 11 April 1953.
61. Point 7 of Decree No 2291 of USSR Council of Ministers dated 28 August 1953 and entitled "On Expansion of the Authority of the Tsentrsoyuz [Central

Union of USSR Consumer Cooperative Society] in Supervising the Activity of the Consumer Cooperative System."

62. Point 1 of Regulation No 12464 of USSR Council of Ministers dated 19 September 1953.

63. Point 13 of Decree No 481 of USSR Council of Ministers dated 19 March 1954 and entitled "Aspects of the Organization of the Committee on Physical Culture and Sports of USSR Council of Ministers" with respect to the right envisaged by Point 28 of Decree No 1002 of USSR Council of Ministers dated 11 April 1953.

64. Point 11 of Decree No 516 of USSR Council of Ministers dated 26 March 1954 and entitled "Aspects of the Organization of the Main Administration of Labor Reserves of USSR Council of Ministers" with respect to the right envisaged by Point 28 of Decree No 1002 of USSR Council of Ministers dated 11 April 1953.

65. Points 7 and 8 of Decree No 653 of USSR Council of Ministers dated 9 April 1954 and entitled "On the Financial and Credit Plan of Prombank and the Plan for Short-Term Credit Financing of Construction and Construction-and-Installation Contractors in the Second Quarter of 1954."

66. Point 17 of Decree No 786 of USSR Council of Ministers dated 26 April 1954 and entitled "On Creation of the Main Administration for Housing and Public Works Construction in the City of Moscow Affiliated With Mosgorispolkom [Moscow City Executive Committee]" with respect to the rights envisaged by Point 28, Subpoint 2 of Point 50, and Point 51 of Decree No 1002 of USSR Council of Ministers dated 11 April 1953.

67. Regulation No 5499 of USSR Council of Ministers dated 20 May 1954.

68. Decree No 1453 of USSR Council of Ministers dated 16 July 1954 and entitled "On Increasing the Share of 'Own' Working Capital of Trade Organizations in Paying for Goods in Connection With Credit Financing of Such Goods by USSR Gosbank."

69. Point 8 of Decree No 2129 of USSR Council of Ministers dated 13 October 1954 and entitled "Aspects of Organizing the Committee of Standards, Measures and Measuring Instruments of USSR Council of Ministers" with respect to the right envisaged by Point 28 of Decree No 1002 of USSR Council of Ministers dated 11 April 1953.

70. Paragraph 2 of Point 10 of Decree No 2499 of USSR Council of Ministers dated 25 December 1954 and entitled "On Further Expansion of Centralized Freight Shipment by Common Highway Carriers."

71. Point 16 of Decree No 319 of USSR Council of Ministers dated 25 February 1955 and entitled "On Releasing Long-Fiber Flax Seed and Hemp Seed to Kolkhozes and Sovkhozes for the Spring Planting of 1955."

72. Point 6 of Regulation No 2085 of USSR Council of Ministers dated 18 March 1955.
73. Regulation No 695 of USSR Council of Ministers dated 10 February 1956.
74. Regulation No 2205 of USSR Council of Ministers dated 20 April 1956.
75. Regulation No 3377 of USSR Council of Ministers dated 9 June 1956.
76. Point 3 of Decree No 1644 of USSR Council of Ministers dated 29 December 1956 and entitled "On the Credit Plan of Sel'khozbank for 1957."
77. Point 23 of Decree No 461 of USSR Council of Ministers dated 25 April 1957 and entitled "On Measures To Improve the Organization of the Administration of Construction in Moscow Oblast" with respect to the right envisaged by Point 28 of Decree No 1002 of USSR Council of Ministers dated 11 April 1953.
78. Point 1 of Decree No 462 of USSR Council of Ministers dated 25 April 1957 and entitled "On Expansion of the Rights of the Chief of Glavleningradstroy [Main Administration for Housing, Public Works and Industrial Construction] of Leningradspolkom [Leningrad City Executive Committee]" with respect to the rights envisaged by Point 28, Subpoint d of Point 50, and Point 51 of Decree No 1002 of USSR Council of Ministers dated 11 April 1953.
79. Points 1 and 5 of Section I of Decree No 911 of USSR Council of Ministers dated 27 July 1957 and entitled "On Further Expansion of the Rights of USSR Gosbank."
80. Point 4 of Decree No 1076 of USSR Council of Ministers dated 6 September 1957 and entitled "On Adoption of the Regulation on the State Committee for Radiobroadcasting Television of USSR Council of Ministers" (SP SSSR [Collection of USSR Decrees], No 11, 1957, Item 113) with respect to the right envisaged by Point 28 of Decree No 1002 of USSR Council of Ministers dated 11 April 1953.
81. Regulation No 3529 of USSR Council of Ministers dated 26 November 1957 with respect to the right envisaged by Point 28 of Decree No 1002 of USSR Council of Ministers dated 11 April 1953.
82. Points 5-7 of Decree No 1449 of USSR Council of Ministers dated 24 December 1957 and entitled "On the Financial and Credit Plan of Prombank for 1958."
83. Point 4 of Decree No 114 of USSR Council of Ministers dated 28 January 1958 and entitled "On Adoption of the Regulation on the State Committee of USSR Council of Ministers for Foreign Economic Relations" with respect to the right envisaged by Point 28 of Decree No 1002 of USSR Council of Ministers dated 11 April 1953.
84. Point 6 of Decree No 333 of USSR Council of Ministers dated 25 March 1958 and entitled "On the Credit and Cash Plans of USSR Gosbank for the Second Quarter of 1958."

85. Point 3 of Regulation No 2797 of USSR Council of Ministers dated 26 August 1958.

86. Point 1 of Regulation No 3140 of USSR Council of Ministers dated 23 September 1958 with respect to the right envisaged by Point 28 of Decree No 1002 of USSR Council of Ministers dated 11 April 1953.

87. Decree No 511 of USSR Council of Ministers dated 15 May 1959 and entitled "On Measures To Help Kostroma Oblast in Developing Agriculture."

88. Point 3 of Decree No 693 of USSR Council of Ministers dated 22 June 1959 and entitled "On Certain Problems of Economic Construction Being Additionally Transferred for Solution to Councils of Ministers of Union Republics" (SP SSSR, No 13, 1959, Item 81).

89. Regulation No 1910 of USSR Council of Ministers dated 11 July 1959.

90. Points 3, 5 and 8 of Decree No 1226 of USSR Council of Ministers dated 6 November 1959 and entitled "On the Long-Term Credit Financing Plan of USSR Gosbank for 1960."

91. Point 4 of Decree No 43 of USSR Council of Ministers dated 18 January 1960 and entitled "On Development of the City of Vladivostok" with respect to the right envisaged by Point 28 of Decree No 1002 of USSR Council of Ministers dated 11 April 1953.

92. Regulation No 841 of USSR Council of Ministers dated 22 March 1960 with respect to the right envisaged by Point 28 of Decree No 1002 of USSR Council of Ministers dated 11 April 1953.

93. Point 4 of Decree No 1069 of USSR Council of Ministers dated 6 April 1960 and entitled "Aspects of the Main Archives Administration of USSR Council of Ministers" with respect to the right envisaged by Point 28 of Decree No 1002 of USSR Council of Ministers dated 11 April 1953.

94. Point 8 of Decree No 296 of USSR Council of Ministers dated 7 April 1961 and entitled "On Organization of the Work of the All-Union Association Soyuzselkhoztekhnika" (SP SSSR, No 7, 1961, Item 55) with respect to the right envisaged by Point 28 of Decree No 1002 of USSR Council of Ministers dated 11 April 1953.

95. Point 5 of Decree No 161 of USSR Council of Ministers dated 7 February 1963 and entitled "On the Structure and Staff of the Main Central Asian Administration for Irrigation and Construction of Sovkhozes of USSR Gosstroy" with respect to the right envisaged by Point 28 of Decree No 1002 of USSR Council of Ministers dated 11 April 1953.

96. Subpoint a of Point 1 and Subpoint a of Point 2 of Decree No 307 of USSR Council of Ministers dated 19 March 1963 and entitled "On Broadening the Rights of Oblast, Kray and Republic Offices of USSR Stroybank" (SP SSSR, No 4, 1963, Item 54).

97. Regulation No 970 of USSR Council of Ministers dated 13 May 1963.
98. Point 4 of Decree No 1245 of USSR Council of Ministers dated 25 December 1963 and entitled "On Measures To Improve Settlements in the Economy" (SP SSSR, No 22, 1963, Item 218).
99. Regulation No 897 of USSR Council of Ministers dated 15 May 1964.
100. Point 16 of Decree No 657 of USSR Council of Ministers dated 6 August 1964 and entitled "On Measures To Ensure Fulfillment of the Plan for the Fish Catch and Production of Fish Products in 1964-1965 Period."
101. Paragraph 2 of Point 5 of Decree No 776 of USSR Council of Ministers dated 10 September 1964 and entitled "On Measures To Lime Acid Soils and To Apply Gypsum to Solonets Soils and on Development of Production of Powdered Lime and Wet-Ground Gypsum."
102. Point 8 of Decree No 785 of USSR Council of Ministers dated 18 September 1964 and entitled "Questions Related to Creation of the Main Administration for Irrigation and Construction of Rice-Planting Sovkhozes (Glavrissovkhozstroy) in the System of USSR Goszemvodkhoz [State Industrial Committee for Irrigation Farming and Water Management]" with respect to the right envisaged by Point 28 of Decree No 1002 of USSR Council of Ministers dated 11 April 1953.
103. Points 1 and 3 of Decree No 427 of USSR Council of Ministers dated 2 June 1965 and entitled "On Transfer of Certain Matters to Decision of USSR Stroybank" (SP SSSR, No 14, 1965, Item 106).
104. Point 3 of Regulation No 1452 of USSR Council of Ministers dated 21 July 1965.
105. Paragraphs 3 through 5 of Point 4 of Decree No 1089 of USSR Council of Ministers dated 17 December 1965 and entitled "On Improvement of the Credit Financing of Kolkhozes" (SP SSSR, No 25, 1965, Item 227).
106. Regulation No 536 of USSR Council of Ministers dated 17 March 1966 with respect to the right envisaged by Point 28 of Decree No 1002 of USSR Council of Ministers dated 11 April 1953.
107. Regulation No 819 of USSR Council of Ministers dated 19 April 1966 with respect to the right envisaged by Point 28 of Decree No 1002 of USSR Council of Ministers dated 11 April 1953.
108. Point 1 of Decree No 652 of USSR Council of Ministers dated 16 August 1966 and entitled "On Rights of the Chairman of the State Committee of the USSR Council of Ministers for Material and Technical Supply, the Chiefs of Main Administrations Associated With That Committee, and Also Chiefs of Administrations for Material and Technical Supply in the Union Republics" (SP SSSR, No 18, 1966, Item 163) with respect to the right envisaged by Point 28 of Decree No 1002 of USSR Council of Ministers dated 11 April 1953.

109. Point 18 of Decree No 818 of USSR Council of Ministers dated 12 October 1966 and entitled "On the Credit and Cash Plans of USSR Gosbank for the Fourth Quarter of 1966."

110. Decree No 962 of USSR Council of Ministers dated 22 December 1966 and entitled "On the Rights of the Chief of the Main Administration of the Microbiology Industry of USSR Council of Ministers and Chiefs of Administrations of That Main Administration" (SP SSSR, No 1, 1967, Item 2) with respect to the right envisaged by Point 28 of Decree No 1002 of USSR Council of Ministers dated 11 April 1953.

111. Points 1-5, 16, 17, 22-26, 28 and 29 of Decree No 280 of USSR Council of Ministers dated 3 April 1967 and entitled "On Measures To Further Improve Credit Financing and Settlement in the Economy and To Enhance the Role of Credit in Stimulating Production" (SP SSSR, No 10, 1967, Item 56).

112. Point 6 of Decree No 754 of USSR Council of Ministers dated 8 August 1967 and entitled "On the Structure of the Central Apparatus of the Main Administration for Geodesy and Cartography of USSR Council of Ministers" with respect to the right envisaged by Point 28 of Decree No 1002 of USSR Council of Ministers dated 11 April 1953.

113. Point 44 of Decree No 901 of USSR Council of Ministers dated 27 September 1967 and entitled "On the USSR State Budget for 1968."

114. Decree No 917 of USSR Council of Ministers dated 6 October 1967 and entitled "On Extending Credit to Kolkhozes for Expenditures To Clean the On-Farm Drainage Basin Network and To Leach Saline Irrigated Soils."

115. Regulation No 662 of USSR Council of Ministers dated 1 April 1968 with respect to the right envisaged by Point 28 of Decree No 1002 of USSR Council of Ministers dated 11 April 1953.

116. Subpoint a of Point 1 of Decree No 592 of USSR Council of Ministers dated 5 August 1968 and entitled "On Transfer of Certain Problems for Solution to USSR Gosbank" (SP SSSR, No 15, 1968, Item 103).

117. Point 8 of Decree No 761 of USSR Council of Ministers dated 24 September 1968 and entitled "On Measures To Improve the Effectiveness of the Work of Scientific Research, Project Planning and Design, and Process Engineering Organizations of the Ministry of Electrical Equipment Industry and To Speed Up Use of Their Developments in Production" (SP SSSR, No 18, 1968, Item 129).

118. Subpoint a of Point 7 of the Amendments made in decisions of the USSR Government in connection with Decree No 280 of USSR Council of Ministers dated 3 April 1967 and entitled "On Measures To Further Improve Credit Financing and Settlement in the Economy and To Enhance the Role of Credit in Stimulating Production," which were adopted in Decree No 368 of USSR Council of Ministers dated 21 May 1969 (SP SSSR, No 14, 1969, Item 76).

119. Point 31 of Decree No 921 of USSR Council of Ministers dated 1 December 1969 and entitled "On the USSR State Budget for 1970."
120. Point 2 of Decree No 976 of USSR Council of Ministers dated 24 December 1969 and entitled "On Procedure for Allotting Working Capital to Construction and Installation Contractors Converted to Settlement for Projects or Stages on Which Construction Has Been Entirely Completed Without Interim Payment to Cover Outlays for Construction and Installation Work in Process" (SP SSSR, No 2, 1970, Item 12).
121. Point 17 of Decree No 184 of USSR Council of Ministers dated 19 March 1970 and entitled "On Further Improvement of the Planning of Production and Economic Activity of the Ministry of Instrumentmaking, Automation Equipment and Control Systems and Enhancement of the Role of Economic Methods in Its Operation" (SP SSSR, No 5, 1970, Item 37).
122. Regulation No 550 of USSR Council of Ministers dated 24 March 1970.
123. Regulation No 1553 of USSR Council of Ministers dated 30 July 1970.
124. Point 3 of Decree No 168 of USSR Council of Ministers dated 11 March 1971 and entitled "On Improvement of the Credit Financing of USSR Gosbank of Organizations (Enterprises) in State and Cooperative Trade" (SP SSSR, No 6, 1971, Item 48).
125. Regulation No 746 of USSR Council of Ministers dated 23 April 1971.
126. Regulation No 1233 of USSR Council of Ministers dated 21 June 1971.
127. Point 8 of Decree No 513 of USSR Council of Ministers dated 22 July 1971 and entitled "On Conversion of Scientific Research, Project Planning and Design, and Process Engineering Organizations and Enterprises of the Ministry of Heavy, Power and Transport Machinebuilding to the New System of Planning, Financing and Economic Stimulation of Projects Related to New Technology" (SP SSSR, No 14, 1971, Item 98).
128. Regulation No 1793 of USSR Council of Ministers dated 27 August 1971.
129. Point 4 of Decree No 742 of USSR Council of Ministers dated 15 October 1971 and entitled "On Measures To Improve the Organization of Procurements and Processing of Raw Hides and Pelts and To Improve Their Quality."
130. Point 4 of Decree No 901 of USSR Council of Ministers dated 9 December 1971 and entitled "On USSR Gosbank's Long-Term Credit Financing Plan for 1972."
131. Subpoint b of Point 6 of Decree No 63 of USSR Council of Ministers dated 29 January 1973 and entitled "On USSR Stroybank's Credit Plan for 1973."
132. Points 1 and 2 of Decree No 594 of USSR Council of Ministers dated 22 August 1973 and entitled "On Certain Measures To Improve Credit Financing and Settlement Procedure in the Economy" (SP SSSR, No 18, 1973, Item 106).

133. Point 6 of Decree No 689 of USSR Council of Ministers dated 19 September 1973 and entitled "On Transfer of Plants for Production of Machines for the Underground Mining of Coal From Jurisdiction of the Ministry of Heavy, Power and Transport Machinebuilding to the Direct Subordination of the USSR Ministry of Coal Industry" with respect to broadening the effect of Point 8 of Decree No 513 of USSR Council of Ministers dated 22 July 1971.

134. Regulation No 84 of USSR Council of Ministers dated 14 January 1974

135. Subpoint b and Paragraphs 4 and 5 of Point 8 of Decree No 292 of USSR Council of Ministers dated 22 April 1974 and entitled "On Certain Measures To Improve the Quality and Assortment of Products of Light Industry and To Improve Relations Between Trade and Industry" (SP SSSR, No 10, 1974, Item 46).

136. Point 4 of Amendments made in decisions of the USSR Government in connection with Decree No 594 of USSR Council of Ministers dated 22 August 1973 and entitled "On Certain Measures To Improve Credit Financing and Settlement Procedure in the Economy," adopted by Decree No 464 of USSR Council of Ministers dated 4 June 1974 (SP SSSR, No 13, 1974, Item 72).

137. Point 8 of Decree No 973 of USSR Council of Ministers dated 20 December 1974 and entitled "On Conversion of Scientific Research and Project Planning and Design Organizations and Enterprises of the Ministry of Chemical Industry in the New System of Planning, Financing and Economic Stimulation of Projects Related to New Technology" (SP SSSR, No 2, 1975, Item 8).

138. Point 2 of Decree No 329 of USSR Council of Ministers dated 25 April 1975 and entitled "On Conversion of Scientific Research, Mechanical Engineering, Project Planning and Design, and Process Engineering Organizations, Enterprises and Production Associations of the Ministry of Tractor and Agricultural Machinebuilding to the New System of Planning, Financing and Economic Stimulation of Projects Related to New Technology" (SP SSSR, No 12, 1975, Item 73).

139. Point 7 of Decree No 330 of USSR Council of Ministers dated 25 April 1975 and entitled "On Conversion of Scientific Research and Project Planning and Design Organizations and Enterprises of the Ministry of Maritime Fleet to the New System of Planning, Financing and Economic Stimulation of Projects Related to New Technology" (SP SSSR, No 12, 1975, Item 74).

140. Point 9 of Decree No 531 of USSR Council of Ministers dated 2 July 1976 and entitled "On Conversion of Scientific Research, Mechanical Engineering, Project Planning and Design, and Process Engineering Organizations, Enterprises, Scientific-Production and Production Associations of the USSR Ministry of Nonferrous Metallurgy to the New System of Planning, Financing and Economic Stimulation of Projects Related to New Technology" (SP SSSR, No 13, 1976, Item 65).

141. Point 8 of Decree No 771 of USSR Council of Ministers dated 20 September 1976 and entitled "On Conversion of Scientific Research, Mechanical Engineering, Project Planning and Design, and Process Engineering Organizations,

Enterprises, Production and Scientific-Production Associations of the Ministry of Chemical and Petroleum Machinebuilding to the New System of Planning, Financing and Economic Stimulation of Projects Related to New Technology" (SP SSSR, No 22, 1976, Item 110).

142. Regulation No 2531 of USSR Council of Ministers dated 21 November 1976.

143. Point 9 of Decree No 23 of USSR Council of Ministers dated 10 January 1977 and entitled "On Conversion of Scientific Research, Mechanical Engineering, Project Planning and Design, and Process Engineering Organizations, Enterprises, Production and Scientific-Production Associations of the Ministry of Machine Tool Building and Toolmaking Industry to the New System of Planning, Financing and Economic Stimulation of Projects Related to New Technology" (SP SSSR, No 6, 1977, Item 34).

144. Point 9 of Decree No 38 of USSR Council of Ministers dated 14 January 1977 and entitled "On Conversion of Scientific Research, Mechanical Engineering, Project Planning and Design, and Process Engineering Organizations, Enterprises, Production and Scientific-Production Associations of the Ministry of Construction, Road and Municipal Machinebuilding to the New System of Planning, Financing and Economic Stimulation of Projects Related to New Technology" (SP SSSR, No 6, 1977, Item 35).

145. Paragraph 1 of Point 4 of Decree No 271 of USSR Council of Ministers dated 6 April 1977 and entitled "On Certain Measures To Ensure Prompt Activation of Projects Built on the Basis of Imported Equipment and on Improvement of the Procedure for Its Credit Financing."

146. Points 5 and 6 of Decree No 291 of USSR Council of Ministers dated 14 April 1977 and entitled "On Adoption of the General Regulation on the Interfarm Enterprise (Organization) in Agriculture" (SP SSSR, No 13, 1977, Item 80).

147. Point 13 of Decree No 373 of USSR Council of Ministers dated 12 May 1977 and entitled "On Conversion of the Ministry of Heavy and Transport Machinebuilding to the New Conditions for Planning and Economic Incentives" (SP SSSR, No 15, 1977, Item 88).

148. Point 12 of Decree No 431 of USSR Council of Ministers dated 26 May 1977 and entitled "On Conversion of the Ministry of Tractor and Agricultural Machinebuilding to the New Conditions for Planning and Economic Incentives" (SP SSSR, No 17, 1977, Item 99).

149. Decree No 713 of USSR Council of Ministers dated 4 August 1977 and entitled "On Extension of Long-Term Credits of USSR Gosbank to Fishing Kol-khozes and Interfarm Enterprises (Organizations) in Fishing" (SP SSSR, No 23, 1977, Item 142).

150. Paragraph 2 of Point 4 of Decree No 55 of USSR Council of Ministers dated 23 January 1978 and entitled "On USSR Gosbank's Long-Term Credit Financing Plan for 1978."

151. Point 9 of Decree No 358 of USSR Council of Ministers dated 11 May 1978 and entitled "On the Conversion of Scientific Research, Mechanical Engineering, Project Planning and Design, and Process Engineering Organizations, Enterprises, Production and Scientific-Production Associations of the Ministry of Instrumentmaking, Automation Equipment and Control Systems to the New System of Planning, Financing and Economic Stimulation of Projects Related to New Technology" (SP SSSR, No 12, 1978, Item 83).
152. Point 13 of Decree No 410 of USSR Council of Ministers dated 29 May 1978 and entitled "On Conversion of the Ministry of Power Machinebuilding to the New Conditions for Planning and Economic Incentives" (SP SSSR, No 12, 1978, Item 84).
153. Point 9 of Decree No 544 of USSR Council of Ministers dated 2 July 1978 and entitled "On Conversion of Scientific Research, Mechanical Engineering, Project Planning and Design, and Process Engineering Organizations, Enterprises, Production and Scientific-Production Associations of the Ministry of Automotive Industry to the New System of Planning, Financing and Economic Stimulation of Projects Related to New Technology" (SP SSSR, No 18, 1978, Item 108).
154. Regulation No 1668 of USSR Council of Ministers dated 4 August 1978.
155. Point 9 of Decree No 672 of USSR Council of Ministers dated 8 August 1978 and entitled "On Conversion of Scientific Research, Mechanical Engineering, Project Planning and Design, and Process Engineering Organizations, Enterprises, Production and Scientific-Production Associations of the Ministry of Machinebuilding for Animal Husbandry and Fodder Production to the New System of Planning, Financing and Economic Stimulation of Projects Related to New Technology" (SP SSSR, No 19, 1978, Item 117).
156. Regulation No 2037 of USSR Council of Ministers dated 14 September 1978.
157. Regulation No 2280 of USSR Council of Ministers dated 20 October 1978.
158. Point 10 of Decree No 862 of USSR Council of Ministers dated 24 October 1978 and entitled "On Conversion of Scientific Research, Mechanical Engineering, Project Planning and Design, and Process Engineering Organizations, Enterprises, Production and Scientific-Production Associations of USSR Ministry of Petroleum Refining and Petrochemical Industry to the New System of Planning, Financing and Economic Stimulation of Projects Related to New Technology" (SP SSSR, No 24, 1978, Item 151).
159. Regulation No 2488 of USSR Council of Ministers dated 21 November 1978.
160. Point 9 of Decree No 948 of USSR Council of Ministers dated 21 November 1978 and entitled "On Conversion of Scientific Research, Mechanical Engineering, Project Planning and Design, and Process Engineering Organizations, Enterprises, Production and Scientific-Production Associations of the Ministry of Machinebuilding for Light and Food Industry and Household Appliances to the New System of Planning, Financing and Economic Stimulation of Projects Related to New Technology" (SP SSSR, No 1, 1979, Item 1).

161. Point 16 of Decree No 1049 of USSR Council of Ministers dated 21 December 1978 and entitled "On Conversion of the Ministry of Electrical Equipment Industry to the New Conditions for Planning and Economic Incentives" (SP SSSR, No 2, 1979, Item 7).
162. Point 3 of Decree No 20 of USSR Council of Ministers dated 5 January 1979 and entitled "On USSR Gosbank's Long-Term Credit Financing Plan for 1979."
163. Point 6 of Decree No 59 of USSR Council of Ministers dated 18 January 1979 and entitled "On USSR Stroybank's Credit Plan for 1979."
164. Regulation No 1313 of USSR Council of Ministers dated 9 June 1979.
165. Regulation No 697 of USSR Council of Ministers dated 15 April 1980 with respect to extension of the procedure for covering the need for working capital in the form of commodity reserves, envisaged by Regulation No 1668 of USSR Council of Ministers dated 4 August 1978 for organizing the system of USSR Goskomsel'khoshtekhnika.
166. Point 1 of Decree No 571 of USSR Council of Ministers dated 7 July 1980 and entitled "On the Credit Financing of Interfarm Enterprises (Organizations) in Agriculture" (SP SSSR, No 20, 1980, Item 119).
167. Regulation No 738 of USSR Council of Ministers dated 21 April 1981.

#### Amendments To Be Made in Decisions of the USSR Government

1. In Decree No 1124 of USSR Council of Ministers dated 14 December 1967 and entitled "On Measures To Improve Settlements for Equipment" (SP SSSR, No 30, 1967, Item 209):
  - a) in Point 1 the words "Point 44 of Decree No 729 of the CPSU Central Committee and USSR Council of Ministers dated 4 October 1965" are to be replaced by the words "Basic Principles on Bank Credit";
  - b) in Point 3 the words "Paragraph 1 of Point 44 of Decree No 729 of the CPSU Central Committee and USSR Council of Ministers dated 4 October 1965" are to be replaced by the words "Basic Principles on Bank Credit."
2. In Point 32 of Decree No 861 of USSR Council of Ministers dated 15 December 1972 and entitled "On the USSR State Budget for 1973" the words "Point 31 of Decree No 921 of USSR Council of Ministers dated 1 December 1969" are to be replaced by the words "Basic Principles on Bank Credit for Supply and Sales Organizations."
3. In Decree No 56 of USSR Council of Ministers dated 25 January 1973 and entitled "On Procedure for Short-Term Credit Financing by USSR Gosbank of State and Cooperative Trade" (SP SSSR, No 3, 1973, Item 12):

a) Paragraph 1 of Subpoint a (in the version contained in Decree No 1046 of USSR Council of Ministers dated 21 December 1976--SP SSSR, No 3, 1977, Item 19) and Subpoint b of Point 2 are hereby declared null and void;

b) in Subpoint a of Point 4 the words "Subpoint b of Point 2 of the present decree" shall be replaced by the words "Basic Principles on Bank Credit."

4. In Regulation No 2756 of USSR Council of Ministers dated 14 December 1976 the words "Decree No 56 of USSR Council of Ministers dated 25 January 1973" shall be replaced by the words "Basic Principles on Bank Credit for State Trade Organizations."

5. In Point 8 of Decree No 113 of USSR Council of Ministers dated 7 February 1980 and entitled "On Measures To Reestablish Orchards, Berry Plantations and Nurseries Damaged by Freezes in the Winter 1978/79" the words "by Decree No 221 of the CPSU Central Committee and USSR Council of Ministers dated 12 March 1964" and "by Point 5 of Decree No 291 of USSR Council of Ministers dated 14 April 1977" shall be replaced by the words "Basic Principles on Bank Credit."

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CSO: 1820/105

## INVESTMENT, PRICES, BUDGET AND FINANCE

### DECREES ON BANK CREDIT DECLARED NULL AND VOID

Moscow SOBRANIYE POSTANOVLENIY PRAVITEL'STVA SOYUZA SOVETSKIKH  
SOTSIALISTICHESKIKH RESPUBLIK in Russian, No 32, 1982 pp 652-654

[Decree No 995 of the CPSU Central Committee and USSR Council of Ministers adopted 15 November 1982 in Moscow and signed by Yu. Andropov, secretary of the CPSU Central Committee, and N. Tikhonov, chairman of the USSR Council of Ministers]

[Text] In connection with publication of the Summary of USSR Laws and in order to further improve legislation on the matters of bank credit, the CPSU Central Committee and USSR Council of Ministers hereby decree as follows:

"That decrees of the CPSU Central Committee and USSR Council of Ministers on the list appended hereto shall be declared null and void."

#### List of Decrees of the CPSU Central Committee and USSR Council of Ministers Which Have Lost Validity

1. Points 2, 13, 14 and 27, and Subpoint a of Point 43 on granting rights to the chairman of the board of USSR Gosbank, and Subpoint c of that point on the granting of rights to deputy chairmen of the board of USSR Gosbank in Decree No 1789 of USSR Council of Ministers and CPSU Central Committee dated 21 August 1954 and entitled "On the Role and Tasks of the USSR State Bank."
2. Paragraph 3 of Point 4 of the appendix to Decree No 300 of the CPSU Central Committee and USSR Council of Ministers dated 16 March 1957 and entitled "On Measures To Further Develop the Economy and Culture of the Nationalities of the North."
3. Point 54 of Decree No 425 of the CPSU Central Committee and USSR Council of Ministers dated 18 April 1958 and entitled "On Further Development of the Kolkhoz System and Reorganization of the Machine Tractor Stations" (SP SSSR, No 7, 1958, Item 62).
4. Paragraph 5 of Point 14 of Appendix No 8 to Decree No 84 of the CPSU Central Committee and USSR Council of Ministers dated 20 January 1950 and entitled "On Measures To Increase Production and Improve Quality of Foodstuffs"

Made From Potatoes, Corn, Vegetables, Fruit and Grapes and To Expand the Trade in Those Products."

5. Points 7 and 8 of Decree No 24 of the CPSU Central Committee and USSR Council of Ministers dated 10 January 1961 and entitled "On Measures To Further Strengthen the Economy and Financial Condition of Kolkhozes" (SP SSSR, No 1, 1961, Item 1).

6. Point 13 of Decree No 221 of the CPSU Central Committee and USSR Council of Ministers dated 12 March 1964 and entitled "On Measures To Bolster the Economy of Lagging Kolkhozes" (SP SSSR, No 4, 1964, Item 28), as well as Paragraph 2 of Point 7 of that decree with respect to extension of USSR Gosbank credit.

7. Paragraph 7 of Point 20, Point 40, and Paragraph 1 of Point 44 of Decree No 729 of the CPSU Central Committee and USSR Council of Ministers dated 4 October 1965 and entitled "On Improving Planning and Strengthening the Economic Stimulation of Industrial Production" (SP SSSR, No 19-20, 1965, Item 153).

8. Point 28 of Decree No 389 of the CPSU Central Committee and USSR Council of Ministers dated 28 May 1969 and entitled "On Improving the Planning of Capital Construction and on Strengthening Economic Stimulation of Construction Work" (SP SSSR, No 15, 1969, Item 82).

9. Point 5 of Decree No 678 of the CPSU Central Committee and USSR Council of Ministers dated 13 September 1972 and entitled "On Additional Measures To Increase Production and Improve the Use of Livestock Feed."

10. Paragraph 2 of Point 3 of Decree No 471 of the CPSU Central Committee and USSR Council of Ministers dated 2 July 1973 and entitled "On Measures To Further Improve the Conditions for Operation of the Rural General Public School" (SP SSSR, No 16, 1973 Item 85).

11. Paragraphs 4 and 5 of Subpoint a of Point 1 of Decree No 485 of the CPSU Central Committee and USSR Council of Ministers dated 10 June 1974 and entitled "On Amendment of Certain Decrees of the CPSU Central Committee and USSR Council of Ministers in Connection With Performance of Measures To Improve Credit Financing and Settlement Procedure in the Economy" (SP SSSR, No 13, 1974, Item 70).

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CSO: 1820/105

## INVESTMENT, PRICES, BUDGET AND FINANCE

### PRICE MODEL PROPOSED FOR SELF-FINANCING OF INVESTMENT

Moscow EKONOMIKA I MATEMATICHESKIYE METODY in Russian Vol 19, No 2, Mar-Apr 83  
(manuscript received 20 Sep 82) pp 228-242

[Article\* by N. Ya. Petrakov, Moscow: "Reflection of Planned Physical Proportions in the Price System"]

[Text] The history of the development of the setting of planned prices in the USSR convincingly demonstrates that the price system has always had an active role in carrying out the economic policy of the Soviet state. The planned price, which is an objective category of socialism, reflects a number of essential aspects of the process of reproduction. The economic efficiency of expanded production at both the macroeconomic and microeconomic levels is evaluated through the price system, since it is the price that facilitates uniform commensuration of results and costs. But this principle cannot be taken literally in the sense that under all conditions and regardless of the methods of centralized administration the price of every unit of output compared to the cost of its manufacture accurately characterizes the national economic efficiency of that product's production and consumption. That role can and should be performed by the price system as a whole. The reason for this lies in the specific nature of the price as an economic parameter in management of the economy, a parameter which performs a distributive function aside from its measuring function, i.e., a parameter that is called upon not only to register the social measure of costs and results, but also to set the specific level of compensation which the consumer is to make for the individual costs of the producer. The contradiction between these functions is not only nonantagonistic, but indeed is removed insofar as prices reflect the real conditions of expanded reproduction in accordance with plans and the objective need of the sectors of the economy for resources to develop at the rates given in the state plan. Conversely, a price system that necessitates organization of an additional powerful mechanism for redistribution of financial resources to accomplish particular structural shifts ultimately results in a decline of the price's role as a reliable yardstick of the socially necessary costs, since it ceases to provide information on actual expenditures of resources in the reproduction of various products. The problems arise not because the measuring and distributive functions have to be combined, but because of the hypertrophy of one of them.

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\* Being published in order to raise the issue.

In the economics literature the view has become widespread that the price should correspond as precisely as possible to the product's actual production cost (average or marginal--this question is still under discussion), while all distributive relations would be achieved through the tax system. For a time the author of this article also adhered to that position, but upon more thorough analysis he came to the conclusion that it is not very convincing and is unconstructive. First of all, in actuality the tax is by no means always a debit charged to the producer's income. Frequently (especially in the case of goods which have low price elasticity of demand), the tax is passed on to the consumer, i.e., it becomes a price-forming factor. This is all the more obvious within the framework of the principles of planned pricing which are in effect and which have retained their importance even with the 1982 revision of wholesale prices. In accordance with those principles, prices are to be so structured as to make provision for reimbursement of the production costs of all enterprises operating normally and for their realization of profit at least sufficient to cover the charge on productive capital and to create the necessary funds of enterprises. All additional taxation would under these conditions bring about the corresponding rise in the planned price at the time when it is set in order not to infringe upon the "legitimate" interests of producer-enterprises.\*

Second, the pursuit of a "refined" price which supposedly would aggravate the exclusively measuring function, actually results in loss of the criterion for measurement. What, strictly speaking, is it that we need to measure by means of the price? The level of costs for reproduction of the product in the quantities required to meet the needs of society, which have been objectively predetermined by the socioeconomic conditions and the capabilities of the economic system. It is this that accounts for the social necessity of those costs which must be quantitatively expressed in the level of the price. Unless their structure corresponds to the structure of the needs of society, i.e., if an excessive (relative to the intensity of society's requirement) quantity of resources is expended in the production of some articles, and an insufficient quantity in the production of others, then those costs, although they have actually been incurred, do not correspond to the socially necessary level and cannot be the basis of the planned price. Yet if prices are nevertheless oriented toward those actual costs, then the need arises to build up a specific mechanism for redistribution: to confiscate a portion of the excessive financial resources from some sectors and to transfer them to others. But in actuality this "surplus" and "shortage" of resources result precisely from the fact that the measuring function of the price is being undermined; that is, it is ceasing to reflect the socially necessary level of costs for the product's reproduction.

Which brings us all the way to the fundamental factor that determines the category of socially necessary expenditures (ONZ) which are the basis of value and the price. It is well known that K. Marx examined this category in two aspects: at the microeconomic level (with respect to a particular commodity)

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\* The issue being taken up here should not be confused with the problem of the "a posteriori tax," which is essentially what the free remainder of profit, transferable to the budget, amounts to.

and at the macroeconomic level (with respect to the entire gross social product). An analysis of the problem at the microeconomic level allows K. Marx first to leave to one side the question of the correspondence of the volume of goods produced to society's need for them and to investigate the category of the ONZ on the assumption that that correspondence is unconditionally observed. At this level of abstraction K. Marx reveals the dual nature of the commodity of the labor [original reads "commodity"] embodied in the commodity, and the dual nature of labor itself as a carrier of value and use value. But then he passes from the individual commodity--that cell of the economic system--to a study of the economic organism as a whole. This transition signifies the emergence of a qualitatively new treatment of the category of the ONZ--its linkage to the structure of the gross social product. K. Marx now takes up the problem of formation of the size of the ONZ in the form of the problem of achieving consistency between the structure of social production and the structure of the needs of society. "The need of society," K. Marx emphasizes, "that is, use value on the scale of society, that is what determines here the share of the entire social work time which is to go to the different specific spheres of production. But this is still that same law which has already been revealed with respect to the individual commodity, namely: that the commodity's use value is a prerequisite of its exchange value and for that reason of its value as well.... Take, for example, disproportionately large production of cotton fabrics, although only the work time necessary under the given conditions was realized throughout that product, in these fabrics. But in general too much social labor was expended on that specific branch, that is, a part of the product is useless. That is why it will be possible to sell the entire product only if it is produced in the necessary proportion. This quantitative limit on those parts of social work time which can feasibly be expended for various specific spheres of production is only a more elaborate expression of the law of value in general, although here the necessary work time takes on a different meaning" (K. Marx, "Soch." [Works], Vol 25, Part II, p 186).

Thus the makeup of society's needs determines the level of expenditures of social labor necessary (or as K. Marx has written here, "feasible") for each particular sphere of production. This is that new "different meaning" of the category of the ONZ with respect to social production as a whole, since now it is essential "that not only has only the necessary work time been used for each individual commodity, but also only the necessary proportional quantity has been used for various groups out of the total work time of society" (Ibid., p 185). Which is why the price should reflect not those costs actually incurred, but those which correspond to the proportions objectively taking shape in the system of the social division of labor. Since these proportions in a socialist economy are determined in a planned way, then it is this understanding of the ONZ which makes it possible to discover the real connection between this category and the law of planned and proportional economic development.

Emphasizing the role of the structure of society's needs in shaping the magnitude of the ONZ, and that means of the planned prices, we will make a small, but important remark. The importance of society's needs as one of the essential factors in determining the price base, as indicated by K. Marx, can by no means be discounted as a departure from the production-labor basis of the

theory of value. On the contrary, we are witnesses to the creation of an entire dialectical system. To be convinced of this one need only recall that K. Marx solve the problem of the source of the formation of needs even in "The Poverty of Philosophy": "On what is the entire system of needs based--on opinion or on the entire organization of production? Usually needs arise directly out of production or out of a status of goods based on production" (K. Marx and F. Engels, "Soch.," Vol 4, p 80). The patterns of formation of society's needs and of their structure are directly or indirectly, but unfailingly, mediated by the system of production relations of the particular mode of production.

In and of itself the structure of society's needs is not given a priori, but is modified as a function of the resource and technological capabilities of society, as a function of its scientific-production potential. The cost at which society satisfies a particular need is by no means a matter of indifference to it. It is the price that should provide the information for full assessment of those costs; in this attribute it becomes a most important instrument for weighing the useful benefit against the costs in selecting the optimum structure of social production. This "weighing," which F. Engels himself wrote about,\* is essentially an iterative procedure for compiling a plan in which production and consumption are balanced in their structures. The price should indeed reflect the measure of the balance of physical proportions attained in the plan. If the structural balance in the plan is optimal, then the planned price coincides with the ONZ. The indicator of this coincidence will be the situation which for every sphere, as V. V. Novozhilov has aptly put it, "the labor necessary with respect to the conditions of production will be equal to the labor necessary with respect to the conditions of consumption" [1, p 292].

The attentive reader has already spotted that the discussion above constantly referred to reflection in the price of the planned proportions, that is, not today's proportions, but future proportions, in the distribution of resources among sectors and production operations. This corresponds to the nature of the ONZ as a category in the process of reproduction. "It is very important," K. Marx wrote, "not to lose sight of the fact that the value of the thing is determined not by that time it took to produce it, but by the minimum time in which it can be produced ..." (K. Marx and F. Engels, "Soch.," Vol 4, p 99). K. Marx repeatedly called attention to that point. In Volume 3 of "Capital" he returned again to the character of the socially necessary labor in the context of reproduction: "the value of any commodity ... is determined not by that necessary work time which is incorporated in it itself, but by the work time socially necessary for its reproduction" (Ibid., Vol 25, Part I, p 153).

Thus establishing the fact of the close dependence of the magnitude of the ONZ on the proportions in distribution of productive resources among the sectors of the economy and at the same time of its most important role in the process

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\* "... The weighing of the useful benefit and the labor expenditure in solving the problem of production represents everything that remains in a communist society of such a concept of political economy as value" (K. Marx and F. Engels, "Soch.," Vol 20, p 321).

of the economic system's reproduction provides the basis for drawing the conclusion that structural dynamics has an important impact on the level of the ONZ. The magnitude of the ONZ is determined not only by proportions which have previously taken shape, but also by the resources necessary to alter them, to carry out structural shifts envisaged by the national economic plan. It is not information about the quantity of resources expended to rebuild the old structure of social production, but about the quantity of them required to make the transition to the new and more optimum structure that the prices corresponding to the level of the ONZ should convey.

The fundamentally important economic "property" of such prices is that they ensure uniform expression of physical flows in value proportions. The objective prerequisite is thereby created for maintaining the internal consistency of the plan in both physical terms and also its money equivalent. The price of every product includes the total magnitude of all costs actually necessary for reproduction of that product in the quantities which are supposed to satisfy the planned need of society. Consequently, such a price not only arises naturally out of the national economic plan, but it is also a precise mirror reflection in money form of the structural policy set down in that plan. It therefore follows that the approximation of planned prices to the level of the ONZ is equivalent in content to solving the problem of attaining physical-value balance.

In view of the urgency of this problem, without restricting ourselves solely to an examination of the theoretical and methodological aspect of this problem, there are two other aspects of it which need to be clarified: 1) what sort of real relation there is between the price system in effect and the dynamic behavior of the proportions of socialist social production; 2) how possible it is in practice to build a model of a planned price that comes close to the level of the ONZ, i.e., which more or less reproduces that distribution of resources among sectors which ensures the structural shifts in the economy envisaged by the plan.

Over the last 1.5 decades the system of wholesale prices in effect has undergone essential changes. On the whole they reflect the general line of improving the entire set of economic yardsticks of the results of economic performance of production units and of enhancing the role of prices and the indicators profitability, production cost, and so on, in the management of social production and in stimulating a rise of its efficiency. The 1967 revision of wholesale prices was especially important in the field of planned price setting. It was in that period that the new conception of the planned wholesale price of the enterprise was essentially worked out. The principle of "normal profitability," which makes it possible for all enterprises operating normally not only to pay the charge on productive capital, but also to build up funds ensuring every worker's interest in the results of the labor of the entire collective as well as the development of production with "own" resources, came to replace the principle of the so-called minimum profitability (when the wholesale price of the enterprise was built up on the basis of the average production cost in the branch plus a profit of 3-5 percent). The 1982 reform of wholesale prices strengthened and developed that course. To be specific, the new prices have in addition incorporated a higher percentage of social insurance deductions, which with certain reservations is regarded as the analogue

of introducing a charge on labor resources. A charge on certain types of natural resources (on water, for example) has also been established. As a result of renouncing the principle of minimum profitability and enhancement of the role of the surplus product in the structure of the price, there is no question that a decisive step has been taken toward bringing the overall level of wholesale prices closer to the socially necessary level. Prerequisites have also been created for solving problems in the domain of socioeconomic policy. For instance, transfers to economic incentive funds from the profit of industrial enterprises, which now amount to 17 percent of the total level of profit realized in wholesale prices, reached 12.5 billion rubles in 1980, whereas in 1965 they amounted to only 1.3 billion rubles, while the total volume of profit was 22.5 billion rubles [2, pp 504-505]. The structure of wholesale prices of enterprises in the industrial sector in 1980 is shown in Table 1.

Table 1. Structure of Wholesale Prices of Enterprises in the Industrial Sector in 1980 [2, pp 123, 503 and 506]

| <u>Indicators</u>  | <u>Billions<br/>of Rubles</u> | <u>%</u> |
|--|-------------------------------|----------|
| Volume of industrial output in wholesale prices of enterprises actually in effect          | 616.3                         | 100.0    |
| Total costs of industrial enterprises and associations                                     | 543.0                         | 88.1     |
| Profit of industrial enterprises and associations  | 73.3                          | 11.9     |
| Profitability, relative to costs, %  | --                            | 13.5     |
| Profitability, relative to the value of productive capital and physical working capital, % | --                            | 12.2     |

The sum total of profit realized in the wholesale prices of enterprises considerably exceeds the total planned need of the industrial sector for investments. For instance, in the 10th Five-Year Plan average annual capital investments in the industrial sector amounted to 43.9 billion rubles, but the average annual profit of industrial enterprises and associations over that same period amounted to 69.2 billion rubles, i.e., 57.6 percent more than the volume of investments in that sector of the economy [2, pp 338 and 505]. Thus the overall level of wholesale prices as a whole makes it possible not only to guarantee the self-financing of expanded reproduction in industry with its own accumulation, but also to deduct sizable amounts paid into the state budget to meet the needs for development of other sectors of the economy and the nonproduction sphere. We should add to this that the revenues of the state budget are also furnished by the industrial sector through another channel--the turnover tax (its collection in 1980 amounted to 94.1 billion rubles) [2, p 522].

But an analysis of average figures--and this is obvious--is quite inadequate for obtaining an answer to the question: To what extent do the prices in effect reflect those national economic outlays which are necessary to accomplish structural shifts in the economy? Table 2 gives a certain idea about their direction and character in the industrial sector over the last 15 years.

Table 2. Relative Share of the Output of Individual Branches in the Total Volume of Output of the Industrial Sector in Unchanged Prices, in percentage [2, p 128]

| <u>Branches</u>                                   | <u>1965</u> | <u>1970</u> | <u>1975</u> | <u>1980</u> |
|---|-------------|-------------|-------------|-------------|
| Industrial sector as a whole                      | 100.0       | 100.0       | 100.0       | 100.0       |
| Breakdown:  |             |             |             |             |
| Electric power industry                           | 2.9         | 3.0         | 3.0         | 3.0         |
| Fuel industry                                     | 7.2         | 6.4         | 6.0         | 5.6         |
| Chemical and petrochemical                        | 4.7         | 5.7         | 6.6         | 7.0         |
| Machinebuilding and metal manufacturing           | 16.7        | 19.7        | 24.0        | 28.7        |
| Timber and lumber, woodworking and pulp and paper | 5.8         | 5.1         | 4.7         | 4.1         |
| Building materials                                | 4.1         | 4.1         | 4.1         | 3.6         |
| Light   | 18.6        | 18.9        | 16.7        | 15.9        |
| Food  | 22.4        | 20.0        | 18.4        | 15.9        |
| Milling and rolling and mixed food industry       | 3.2         | 3.1         | 2.9         | 3.1         |

Even such very consolidated data indicate how appreciable these shifts are. Only two branches "succeeded" in preserving their positions in the structure unchanged: the electric power industry and also the milling and rolling and mixed feed industry. Machinebuilding and the chemical and petrochemical industry were the most energetic "disturbers of the structural calm," which corresponds to their leading role in achievement of scientific-technical progress. Profound structural shifts also occurred within branches. For instance, over the period 1970-1980 the output of motor vehicles increased 2.4-fold, the output of the instrumentmaking industry 4.5-fold, while at the same time, for example, the growth rates of power machinebuilding were 172 percent over the last two 5-year periods, the production of equipment for the building materials industry increased 78 percent, and so on. In general the "fork" of growth rates of individual branches of machinebuilding over that period ranged from 154 percent (metallurgical machinebuilding) to 925 percent (computer equipment industry) [2, p 164]. Substantial structural shifts also took place in the fuel industry. Whereas in 1965 petroleum (including gas condensate) accounted for 35.8 percent of all the fuel extracted in conventional terms, while the share of gas was 15.5 percent and that of coal 42.7 percent, the shares for 1980 were 45.3, 27.1 and 25.4 percent, respectively [2, p 156].

An analysis of the development of any branch of industry offers an approximately analogous picture of structural shifts, though perhaps not always so clearly pronounced. What these processes have in common is that practically all the structural changes are related to the progress of science and technology and are directed toward attainment of maximum national economic efficiency in the functioning of the country's entire production and economic complex. It is quite obvious that any structural reorganization requires major outlays of productive resources. But since these outlays correspond to the goals of socioeconomic development, they are objectively necessary and are provided for in national economic plans. Do these ONZ get reflected in the prices in effect? Do the prices contain information on the additional costs required by the development of the particular branches at relatively higher rates? Do the

changes in capital intensiveness and the general resource intensiveness of the product's production have an effect on prices?

Table 3. Relationships Between Different Branches of Industry With Respect to Capital Investments (electric power industry = 1) [2, p 338]

| <u>Branches of Industry</u>             | <u>1966-1970</u> | <u>1971-1975</u> | <u>1976-1980</u> |
|---|------------------|------------------|------------------|
| Electric power industry                 | 1.00             | 1.00             | 1.00             |
| Coal                                    | 0.53             | 0.49             | 0.50             |
| Petroleum                               | 0.82             | 0.94             | 1.35             |
| Gas                                     | 0.33             | 0.43             | 0.53             |
| Ferrous metallurgy                      | 0.73             | 0.76             | 0.78             |
| Chemical and petrochemical              | 0.81             | 0.92             | 1.14             |
| Machinebuilding and metal manufacturing | 1.65             | 2.22             | 2.78             |
| Timber and woodworking                  | 0.29             | 0.31             | 0.30             |
| Pulp and paper                          | 0.13             | 0.13             | 0.16             |
| Building materials                      | 0.46             | 0.49             | 0.47             |
| Light                                   | 0.39             | 0.41             | 0.44             |
| Food                                    | 0.68             | 0.68             | 0.69             |

In order to answer these questions we will examine certain trends in distribution of resources among branches which have occurred over the last 10-15 years. The active structural policy of the Soviet state and of its planning authorities has been backed up with extensive maneuvering of capital investments. Changes in the relations of their distribution among branches over the last three 5-year periods can be illustrated with the figures in Table 3. It is clear from Table 3 that there is a clear-cut dependence of the relative share of individual branches in the total volume of industrial output on the strategy in distribution of the accumulation fund. The priority branches, which account for scientific-technical progress, have been receiving relatively more total amounts of capital investments from one 5-year period to the next. In other words, the progressive branches are becoming "more expensive" for society. But this increased expensiveness is economically efficient, since it brings about a reduction of costs of consumers of the products of the priority branches, a reduction that covers those additional costs. It is indeed in this process that the efficiency of scientific-technical progress from the standpoint of the national economy is manifested. "... The most characteristic thing of the rise of the productive force of labor," K. Marx noted, "is that the major portion of constant capital undergoes a very strong augmentation ..." (K. Marx and F. Engels, "Soch.," Vol 25, Part I, p 286). If we refer to the structure of the gross social product and not only the individual articles, then it is obvious that we are referring here to the "very strong augmentation" of a portion of the branches creating fixed capital and above all the active part of fixed capital, i.e., machinebuilding. This growth of costs occurs even "when the value of the commodity includes not only the portion of fixed capital that represents additional wear, but also an additional portion of the value corresponding to an increased quantity of raw materials and auxiliary supplies or more expensive types" (Ibid., p 286). Thus K. Marx explicitly points out that technical progress can be accompanied by a rise of social outlays both for equipment and also for raw materials. This phenomenon

is not only normal, it is economically justified, since "all additions to value must be more than offset by the drop in the value occurring because of the reduction of live labor. That is why that reduction of the total amount of labor entering into the commodity ... should serve as an important sign of the rise in the productive force of labor, regardless of the other social conditions of production. In a society in which the producers are regulating their production in accordance with a plan outlined in advance, even in simple commodity production the productivity of labor would unconditionally be measured by that scale" (Ibid., pp 286-287).

The structural dynamics of social production which objectively arises out of the patterns of development of the productive forces must inevitably find its expression both in the internal structure of the costs of production of individual products and also in the intersector relations of levels of the ONZ. Consequently, appropriate requirements have to be imposed even on prices oriented toward socially necessary expenditures of labor--they are expected to record information on full reproduction expenditures which society objectively has to bear to accomplish the effective structural shifts. Insofar as capital investments represent the principal lever for accomplishing structural dynamics, the specific problem arises of reflecting that portion of the outlays of society in prices.

Let us examine how relations come about between capital investments and profit in the wholesale prices in effect during the 10th Five-Year Plan (Table 4). Even though the figures on capital investments have been presented by the USSR Central Statistical Administration [CSA] in comparable prices, and those on profit in current prices, a comparison of these indicators is permissible in a certain sense, since, first, wholesale prices in the 1967-1980 period remained on the whole stable, and second, the important thing for the purposes of our analysis is to detect only the order of the figures, what we might call the general tendency. And it is that although the total profit in industry as a whole, as we noted above, substantially exceeds the volume of planned capital investments in that sector of the economy, the sectoral relationships between these indicators offer a very variegated pattern (even at a rather high degree of aggregation). The average sectoral relationship of these quantities was maintained only in the chemical and petrochemical industry and to some extent in ferrous metallurgy. The largest departures were in light industry and the food industry in the direction of accumulation realized in the wholesale prices of the products of those sectors exceeding the sum total of capital investments in their development, and in the opposite direction in the coal industry and the building materials industry. As for the petroleum and gas industries, in them the profit indicator does not afford a sufficiently complete picture about sectoral income, since the differential rent occurring in that industry is recorded in the form of the turnover tax according to the pricing methodology now in effect.

Thus even the most general comparisons of the volume of capital investments of the branches with the amount of profit the branches obtained after selling their products leads to the conclusion that the requisite linkage does not exist between the size of profit and planned outlays for expansion of output in the structure outlined by the national economic plan. This situation is

naturally brought about by the circumstance that structural policy is defined above all in 5-year plans, whereas the prices do not organically arise out of those plans, but remain stable over periods of 10-15 years. On the one hand, then, prices cease to play the role of an economic indicator characterizing the actual outlays of society to expand reproduction of various products, while on the other it becomes necessary to include in the system of management strong redistributive mechanisms, which often give rise to excessive "counter" siphoning of resources, overloading administrative authorities and detracting from cost-accounting (khozraschet) incentives. For instance, in 1980 43.2 billion rubles were transferred to the budget from the profit of industrial enterprises and associations. Out of the portion of profit remaining at the disposition of industrial enterprises less than 5.8 billion rubles were committed to capital investments and to augmentation of "own" working capital. In addition, in 16 industrial ministries profit was used to create a unified fund for development of science and technology, and in 1980 it amounted to almost 3 billion rubles. So, 8.8 billion rubles, went at least formally for development of "own" production in the branches of industry. Yet total capital investments in the industrial sector in 1980 amounted to 47.3 billion rubles. Thus in transferring more than 43 billion rubles from profit to the budget, the branches of industry then received back 38.5 billion rubles from that same budget (47.3 - 8.8) to finance capital investments.\*

Table 4. Average Annual Capital Investments and Profit by the Branches of Industry Over the Period 1976-1980, in billions of rubles [2, pp 338 and 505]

| <u>Branches</u>                         | <u>Average Annual Capital Investments</u> | <u>Average Annual Profit</u> |
|---|---|------------------------------|
| Industrial sector--total                | 43.90                                     | 69.20                        |
| Breakdown:                              |   |                              |
| Electric power                          | 3.88                                      | 4.24                         |
| Coal                                    | 1.96                                      | -0.68                        |
| Petroleum                               | 5.24                                      | 4.50                         |
| Gas                                     | 2.06                                      | 1.06                         |
| Ferrous metallurgy                      | 3.04                                      | 4.50                         |
| Chemical and petrochemical              | 4.44                                      | 7.08                         |
| Machinebuilding and metal manufacturing | 10.78                                     | 20.26                        |
| Timber, woodworking and pulp and paper  | 1.82                                      | 1.74                         |
| Building materials                      | 1.84                                      | 1.50                         |
| Light                                   | 1.70                                      | 7.60                         |
| Food                                    | 2.68                                      | 8.14                         |

Is there justification for counterflows of financial resources on such a scale? Hardly--even with the system of prices in effect. After all, the level of branch profitability formed in the 10th Five-Year Plan (not to mention that which occurred after introduction of the new wholesale prices in 1982) guaranteed almost all branches (except the fuel branches) accumulation

\* The figures given here were calculated from [2, pp 504 and 336].

of their own required for expanded reproduction. This is indicated both by the figures in Table 4 and also by the fact that in the 10th Five-Year Plan average annual depreciation for renovation amounted to 20.5 billion rubles in the industrial sector as a whole [2, p 521]. A portion of depreciation is also transferred to the budget under the present regulation on procedure for formation of the funds of industrial enterprises.

Without denying the need for budget financing in a number of cases (for example, in connection with the organization of fundamentally new production operations, in connection with creation of the elements of the production infrastructure, and so on), one cannot but note that abuse of this source of funds tends to give rise to dependent attitudes in certain managers, depersonalizes responsibility for errors in the distribution of the resources of the national economy, and does not create the necessary economic motivation to utilize those resources with maximum efficiency. As a matter of fact, the redistributive mechanism "income of the branches--budget--financing of the branches" was retained by inertia from the period of the fifties and early sixties and runs counter to the course set for improvement of the methods of management of the national economy proclaimed by the September (1965) Plenum of the CPSU Central Committee and elaborated in the decree of the CPSU Central Committee and USSR Council of Ministers adopted 12 July 1979 and entitled "On Improving Planning and Strengthening the Influence of the Economic Mechanism on Increasing Production Efficiency and Work Quality." In our view this inertia has been preserved to a considerable degree because of inconsistency in implementing the new principles governing the setting of planned prices in connection with the 1967 revision of wholesale prices. Renunciation of the conception of minimum profitability in the structure of the price was not accompanied by a decisive transition to a model of the price of expanded reproduction that would reflect the socially necessary planned level of the costs of reproduction.

What is the nature of the formalized structure of the price for the planned expansion of reproduction, and where can information be drawn from for quantitative determination of prices structured on the basis of that model? The branch level of the price of planned expanded reproduction is calculated in the form

$$Z_i = [S_i + W_i + p_i F_i^0](1 + r),$$

in which  $Z_i$ --the price of planned expanded reproduction in the branch  $i$ ;  $S_i$ --production cost of the product of the branch  $i$ ;  $W_i$ --economic incentive funds (not including the production development fund) in the branch  $i$ ;  $p_i$ --the planned standard for expanded reproduction in the branch  $i$ ;  $F_i^0$ --fixed capital and material working capital of the branch  $i$  in the year preceding the beginning of the planning period;  $r$ --the standard of social deductions into the state budget.

The expression  $S_i + W_i$  can be regarded as the full current costs of enterprises by analogy with Marx's  $C + V$ . We interpret the quantity  $W_i$  as an

adjustment of the real necessary product created and obtained by the workers of enterprises in the branch  $i$ , but not in the form of wages (which are reflected in the present system for calculating the costs included in the production cost), but in the form of bonuses and various types of incentives for collective efforts, as well as physical rewards to workers in the form of improved housing, better conditions for rest and recreation, for bringing up children, and so on, furnished by the enterprise (by the branch) for its workers, employees and engineering and technical personnel. It corresponds to the material incentive fund and the fund for social welfare and cultural programs and housing construction actually formed and used, and it does not coincide in total amount with social consumption funds in all branches, since it does not include such expenditures of the state as free study in general public schools, free medical care on a general basis, pension coverage, aid to war veterans and mothers with many children, and so on.

The standard of social deductions  $r$  is introduced into the proposed price model in order to achieve balance between the revenues of the state budget and the growth of resources necessary to finance social welfare programs and development of the nonproduction sphere. It can be established in proportion to the volume of output and in our opinion should be the same for all branches of physical production.

Within the framework of the existing distributive relations the standard of social welfare deductions is determined approximately as follows

$$r = \frac{\sum_{i=1}^n R_i - \left( \sum_{i=1}^n W_i + \sum_{i=1}^n p_i F_i^0 \right)}{M \left[ \sum_{i=1}^n R_i - \left( \sum_{i=1}^n W_i + \sum_{i=1}^n p_i F_i^0 \right) \right]}$$

in which  $\sum_{i=1}^n R_i$  -- sum total of profit of the branches of physical production;  
 $M$  -- total volume of sales of those branches.

Preliminary calculations show that the standard of social welfare deductions (the budget tax) is at a level of 3-5 percent. Assuming that that is its size and that the size of the turnover tax, which also goes directly into the budget, does not on the whole change, the revenues from the latter altogether cover all expenditures for social welfare and defense purposes, as well as for development of the nonproduction sphere.

The planned standard of expanded reproduction introduced into the proposed price model is essential to understanding the economic meaning of that model. The standard is calculated from the formula

$$p_i = \Delta M_i f_i P / F_i^0,$$

in which  $\Delta_i$ --growth of the output of the branch  $i$  outlined in the 5-year plan (in physical or conventional physical units of measurement);  $f_i^P$ --planned incremental capital intensiveness of the product of the branch  $i$ .

The numerator of this expression is the volume of investment resources necessary to obtain the planned growth of output or, which in this case is the same thing, the magnitude of the planned growth of the branch's productive capital. Here we are actually dealing with a formalization of the requirement advanced even by the 25th CPSU Congress: "Capital investments must be allocated to ministries and departments not in general, not for new projects, but for the planned growth of output" ("Materialy XXV s"yezda KPSS" [Materials of the 25th CPSU Congress], Moscow, Politizdat, 1977, p 46).

The standard of expanded reproduction reflects the order of priority established in the national economic plan for development of the particular branches, which is determined on the basis of the socioeconomic goals of social production, the peculiarities of the specific stage of economic construction, and the level of saturation of society's needs. This standard cannot, of course, be the same for all branches. It takes into account structural changes in the economy outlined for the given planning period. An important peculiarity of the planned standards of expanded reproduction is their correlation with the total volume of capital investments and with the growth of productive capital in the branches.

The branch model of the price of planned expanded reproduction is essentially the "self-financing price," i.e., it corresponds to the conditions in which economic entities function in a system of full cost accounting, providing for the possibility of development of the branches at the planned rate from their own accumulation and setting a realistic level of planned outlays of the national economy for reproduction of the product.

For purposes of more clear-cut and vivid interpretation of the economic purport of the planned standard of expanded reproduction, a simplification has been made in the original notation of the price model. It lies in the fact that in the formulas given above the question of the proportion of the "time lag" of the planning period is omitted. Moreover, it is provisionally assumed that the capital investments are made at the moment of sale of the product produced in quantities corresponding to the base level of the development of production. This kind of hypothetical reasoning is quite permissible for analysis of the problem as a whole. But in practice pricing authorities are not at liberty in choosing the planning period, since the prices must arise out of the plan and are calculated along with it and from the same mass of data. The 5-year plan is the natural base of the planned price for the overwhelming bulk of products. The orientation of price calculations to the 5-year period ensures the necessary combination of stability and flexibility of the system of planned prices. This approach requires a certain modification of the formula for calculating the standard of expanded reproduction, since the assimilation of capital investments and the growth of output occur step by step over the years of the 5-year period. The standard of expanded reproduction is calculated as an average weighted quantity for the entire planning period in order to take this into account.

Since average annual capital investments are included in the model of the price of planned expanded reproduction, the difference between that quantity and actual investments is covered by means of credit. The system for long-term credit financing is also used for cases of compensation of investment lag, which brings about a displacement in time for the scheduled activation of capacities relative to the schedule of capital investments.

Calculation of the prices of planned expanded reproduction simultaneously with the drafting of the 5-year plan affords the possibility of relying on the economic information embodied in them even in the stage of planned linkage of rates and proportions. If the structural shifts outlined bring about an abrupt increase in outlays for expansion of reproduction of a particular product and correspondingly a rise of the planned prices of that product, then it could bring about a change in the original (preplan) decisions concerning the feasibility of such substantial investments of resources in development of that branch. In the iterative process of achieving consistency of the plan it might be found possible to use less expensive substitutes or other alternative solutions. In any case a high standard of expanded reproduction will in a number of cases cause a drop in the intensity of society's need for the particular product, which could modify the system of original priorities. Thus the price of planned expanded reproduction figures as a "active participant" in the procedure of compiling the national economic plan.

Taking into account the changeability of the planned capital intensiveness of the product is essential to practical calculations of the level of planned prices of expanded reproduction. The point is that recently the dynamic behavior of the actual incremental capital intensiveness of the product has displayed an undesirable tendency both as a whole and for most branches (Table 5). In such branches as ferrous metallurgy, the fuel industry, and the timber, woodworking and pulp and paper industry, a 1-percent growth of output requires a more than 2-percent growth of fixed capital and physical working capital. Only in machinebuilding and metal manufacturing is the elasticity less than unity, though not by much. An analysis of the reasons for this economic situation does not lie within the purpose of this article. The important thing is that in planning the level of planned prices these processes must be taken into account, since the price is expected to reflect the real outlays for reproduction.

If the dynamic pattern of costs is brought about by objective tendencies and conditions of expanded reproduction (as, for example, in the extractive branches of industry or in machinebuilding), then taking those expenditures into account signifies the convergence of prices toward the level of the ONZ. If overconsumption of resources is related to certain oversights in planning, then the price of planned expanded reproduction, which figures as an economic indicator of those processes, deviates from the socially necessary level. But the important thing is that in this case the principal "attribute" of the planned price is preserved: it records the result of the principles set forth in the plan, it arises out of the national economic plan, and it figures as its economic "commentary."

Table 5. Relationship of the Growth Rates of Industrial Output and Fixed Industrial Productive Capital and Physical Working Capital Over the Period 1970-1980 [2, pp 141 and 127]

| Branches of Industry                    | Growth Rates<br>of Output<br>$(\frac{\Pi_{80}-\Pi_{70}}{\Pi_{70}}) \cdot 100$ | Growth Rates of<br>Fixed Capital<br>and Physical<br>Working Capital<br>$(\frac{P_{80}-P_{70}}{P_{70}}) \cdot 100$ | $\frac{P_{80}-P_{70}}{\Pi_{80}-\Pi_{70}} \cdot \frac{\Pi_{70}}{P_{70}}$ |
|---|---|---|---|
|   |   |   |   |
| Electric power                          | 80  | 92  | 1.15  |
| Fuel                                    | 54  | 110   | 2.04  |
| Ferrous metallurgy                      | 41  | 91  | 2.22  |
| Chemical and petrochemical              | 118   | 139   | 1.18  |
| Machinebuilding and metal manufacturing | 156   | 148   | 0.95  |
| Timber, woodworking and pulp and paper  | 39  | 83  | 2.13  |
| Building materials                      | 56  | 93  | 1.66  |
| Light                                   | 48  | 76  | 1.58  |
| Food                                    | 40  | 72  | 1.80  |
| Milling and rolling and mixed feed      | 77  | 113   | 1.47  |

Table 6. Indices of the Change of Wholesale Prices of Enterprises in Effect To Bring Them Into Conformity With the Level of Prices of Planned Expanded Reproduction (relative to the conditions in the period 1976-1980)

| Branches                                | Indices |
|---|---------|
| Entire industrial sector                | 1.00    |
| Breakdown:                              |         |
| Electric power                          | 1.11    |
| Fuel                                    | 1.19    |
| Chemical and petrochemical              | 0.98    |
| Machinebuilding and metal manufacturing | 1.00    |
| Timber, woodworking and pulp and paper  | 1.03    |
| Building materials                      | 1.07    |
| Light                                   | 0.97    |
| Food                                    | 0.98    |

Retrospective calculation of the prices of planned expanded reproduction and comparison of the price levels obtained with those that actual occurred is of definite interest. If prices of expanded reproduction have been calculated at the same time when the indicators of the plan were worked out for the 10th Five-Year Plan and had been introduced in 1976, this would have required adjustment of the branch levels of prices as shown in Table 6. The table shows the aggregate results of calculations of prices of planned expanded reproduction in a comparison with those in effect (up to 1 January 1982). Here we have made use of the supposition that the general level of wholesale prices was preserved in industry and that stable payments into the state budget were

assured. The standards of expanded reproduction adopted make it possible for every branch of industry to obtain income completely offsetting capital investments made in the 1976-1980 period. As follows from Table 6, the adjustment of wholesale prices which would have been required at the beginning of the 10th Five-Year Plan for them to reflect the full outlays of the national economy for expanded reproduction would by no means require a radical restructuring of price proportions. Changes in price levels are determined mainly by bringing the rate of income of branches into conformity with their real need for resources for planned development. Of course, calculations pertaining to a disaggregated group of branches offers a more variegated picture. Yet the scale of price adjustments is even in this case considerably more modest than those which had to be undertaken in the 1982 revision of wholesale prices. The absence of a direct relation between the change of price relations and structural shifts in the 5-year plan brings about a loss of price flexibility, tends to make them out-of-date, and as a consequence more radical measures are needed to restructure the price system.

The prices of planned expanded reproduction reflect the real priorities formed in the process of compiling the national economic plan. The leading directions for the use of resources are identified on the basis of consideration of an entire spectrum of factors not only economic, but also social. Moreover, the latter sometimes played a primary role when the final decision is made on the distribution of resources. This circumstance has fundamental importance to an understanding of the processes for achieving balance in a socialist economy. The point is that the distribution of resources from the standpoint of social welfare tasks need not absolutely and precisely correspond at every moment of time with the distribution bringing about the maximum of the total economic benefit. Under certain conditions society might choose an alternative which affords a relatively smaller magnitude of that benefit, but which brings about attainment of a necessary social welfare result. The priorities in the national economic plan represent a certain compromise permissible for society between its social welfare and its economic interests, or, more accurately, a synthesis of those interests.

In practical terms this means that the planned distribution of investment resources need not always be dictated by economic requirements alone. In a number of cases there is a need to take into account that smaller capital investments than necessary for full coverage of society's needs are being allocated to development of branches producing a scarce product, each unit of which yields a high economic benefit. From the standpoint of pricing this means that the price of the planned expanded reproduction may prove to be lower than the price taking into account the economic efficiency of using the given product in the economy. The latter is determined by that gross benefit to the national economy which one unit of the product affords in the worst (or marginal) of the spheres of its use envisaged by the plan. From the standpoint of cost accounting, solving the problems of economic consumption of resources at the microeconomic level, and discovering potential for raising production efficiency, prices oriented toward maximum efficiency are bearers of inestimable information; they signal the maximum permissible level of costs to carry out measures for resource conservation.

and however useful the information contained in such prices, and however necessary they are for calculations of the economic efficiency of introducing new engineering and technology, at the present time they can hardly become the real basis of the system of planned-price setting as a whole for purely practical considerations. These prices, as calculations show, are in most cases higher than the wholesale prices in effect. By all appearances they will also turn out to be higher than the prices of planned expanded reproduction for the reasons discussed earlier. This means that the revision of prices based on determination of the maximum efficiency of a product's use would necessitate a general rise in the level of wholesale prices, which would necessitate changes in retail prices or an increase in the proportion of subsidies for a sizable number of consumer goods.

The question arises: Can a compromise solution be found under these conditions? In our view it should be sought in clear-cut division of the circulation of physical resources into two spheres and introduction of two different types of prices for each of them, prices reflecting the character of the economic problems to be solved. The "watershed," or distinguishing characteristic by which the movement of physical goods should be assigned to one or the other sphere ought to be the level at which planning decisions on distribution of resources are made. Where it has to do with defining the strategy of structural policy, the model of the price of the planned expanded reproduction should be applied. Here rigid centralized allocation of raw materials, supplies, equipment and energy resources should be preserved. They should be released to enterprises at firm wholesale prices, and the prices of the maximum efficiency would figure in this sphere only as calculated prices used in evaluating the economic efficiency of planning decisions at the microeconomic level within the framework of the overall structural dynamics set forth in the plan. Where decisions are made on development of production on a cost-accounting basis, the prices of maximum efficiency are advisable; they guarantee planned balance of financial resources which in the context of cost accounting are at the disposition of enterprises and associations, along with a stock of means of production specifically formed for purposes of their physical coverage. This second domain should embrace above all the production development fund, the fund of consumer goods manufactured from waste, the fund for development of local industry, and so on. For industrial enterprises the volume of such funds at the present time is in the range of 6-7 billion rubles [2, pp 141, 505-506 and 519], which amounts to approximately 12-13 percent of the average annual amount of financial resources allocated to the branches of industry to augment fixed capital and "own" working capital.

For most types of fuel and energy resources and raw materials calculations of the prices of maximum efficiency of their use or of marginal costs already exist. There also exists a method for establishing prices of new products for material and technical purposes so as to take into account the efficiency of using the particular product in the national economy. This information affords the possibility in principle of calculating what share of physical resources would now have to be allocated in advance to cover the cashless effective demand of enterprises and associations in industry in the form of wholesale trade in means of production, the need for whose development was noted as far back as the decisions of the 23d CPSU Congress. The principle of maximum

return to the national economy from their use would essentially be made the basis of realizing this portion of physical resources, since the higher price reflecting the real economic benefit which each additional unit of the product affords requires that its consumers obtain a benefit above the standard in order not to lower the indicators used in the system of cost accounting to evaluate their performance. Consequently, the limited physical resources allocated to this sphere under the impact of economic levers will be distributed along those lines of their possible use which are most efficient from the standpoint of the national economy.

Thus physical-financial balance could be achieved in the domain of using the money resources of enterprises and associations committed to development of their own production. It is important to emphasize that we are not referring here to a change in the principles governing distribution of the bulk of physical resources, but only about the domain of the economic competence of enterprises and associations sketched out by the decree of the CPSU Central Committee and USSR Council of Ministers dated 12 July 1979 and entitled "On Improving Planning and Strengthening the Influence of the Economic Mechanism on Increasing Production Efficiency and Work Quality."

Introduction of prices of maximum efficiency at the microeconomic level is extremely important from the standpoint of stimulating conservation of physical resources as well. Decree No 612 of the CPSU Central Committee and USSR Council of Ministers, dated 30 June 1981 and entitled "On Stepping Up the Effort Toward Conservation and Optimum Use of Raw Materials, Fuel and Energy Resources and Other Physical Resources" envisages separate evaluation of planned and above-plan expenditures and conservation of physical resources, i.e., introduction of an additional charge relative to prices in effect on every unit of the resource consumed over and above the established limits. In 1983 a system of incentives was also introduced--direct transfers to economic incentive funds from above-standard conservation of physical resources. It is important that the money evaluation of this conservation coincide with the real benefit to the national economy which can be obtained from the product's use in the national economy.

Thus the models of the price of planned expanded reproduction and the price of maximum efficiency not only do not contradict one another from the standpoint of theory and methodology, but even in practical terms they can figure as mutually complementary modifications of planned prices in the unified national economic system of price setting.

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## INVESTMENT, PRICES, BUDGET AND FINANCE

### IMPACT OF 1982 WHOLESALE PRICE REVISION EVALUATED

Moscow PLANOVYE KHOZYAYSTVO in Russian No 4, Apr 83 pp 60-67

[Article by V. Kotov, deputy department chief of USSR Gosplan: "Planned Prices, Production Proportions, and Production Efficiency"]

[Text] One of the measures aimed at improving planning and the economic mechanism was the introduction of new wholesale prices of industrial products as of 1 January 1982. Up until that time 1967 prices calculated on the basis of 1965 costs were in effect. The conditions of production had undergone essential changes since that time. That is the main reason for the revision of wholesale prices carried out in all branches of industry on the basis of planned 1980 costs (the starting point of the current 5-year period), which covered about 90 percent of the products on which they are established. Replacement of the outdated prices, bringing them into conformity with present-day conditions of production, is an objective necessity related to the use of value forms and levers in guidance of the economy.

The founding principle of price setting is to bring prices closer to the socially necessary expenditures of labor, whose magnitude per unit output is subject to continuous changes caused by the entire course of development of production and of socioeconomic relations. The 1967 prices which were in effect for 15 years had in a number of cases ceased to meet this requirement. As a result by the beginning of the 11th Five-Year Plan the coal and timber industries and many enterprises of other branches were operating at a loss. This made it necessary to revise price levels in order to create the possibility for normal cost accounting (khozraschet) activity for all branches, associations and enterprises and to realize the principles contained in the decree of the CPSU Central Committee and USSR Council of Ministers dated 12 July 1979 and entitled "On Improving Planning and Strengthening the Influence of the Economic Mechanism on Increasing Production Efficiency and Work Quality," which are aimed at strengthening the role of economic levers and incentives. In addition, there was a need to enhance the stimulating role of prices in speeding up scientific-technical progress, in renewing the assortment and improving the quality of products, and in optimum use of physical resources.

Performance of these tasks required higher wholesale prices for the products of industry. The price increases were as follows: 130 percent for petroleum, 45 percent for coal, 31 percent for gas, 14 percent for electric power, 74

percent for thermal energy, 22 percent for ferrous and nonferrous metals, 40 percent for wood, 32 percent for paper and cardboard, 29 percent for cement, 33 percent for brick, 21 percent for roll roofing materials, and an average of 16 percent for the products whose prices underwent revision. We should note that in the 1968-1980 period there were local reductions of prices of certain products (mainly machinebuilding) by a sum total of about 30 billion rubles; otherwise the overall price increases in 1982 would have been substantially smaller.

The question arises: Under the conditions of scientific-technical progress and the rise of labor productivity they bring about, why are prices rising instead of falling? The immediate causes are above all the more complicated conditions and higher costs of extracting natural raw materials for industry and fuel. The branches of the fuel and energy complex account for 42.5 percent of the total amount of wholesale price increases, the mining and metallurgical industries accounted for 24 percent, the timber and pulp and paper industry 8.5 percent, and the building materials industry 6 percent. The cost of agricultural raw materials is also rising, signifying corresponding increases in the costs of the processing branches of light industry and the food processing industry.

But that kind of response would not be complete. Natural conditions are only one of the factors determining price rises of products, which is opposed by new technology and processes and the rising power- and capital-labor ratios, which bring about a rise of labor productivity. In the 1971-1980 period alone 38,500 new models of machines, equipment and apparatus were created in industry, 1,548,000 pieces of equipment were modernized, and 4,683 computerized management systems were manufactured. Over that same time fixed industrial productive capital grew 2.2-fold, and the capital- and power-labor ratios rose 1.9- and 1.5-fold, respectively. This made it possible to raise labor productivity continuously: 17 percent in the 10th Five-Year Plan and 56 percent between 1971 and 1980.

Experience, however, indicates that the rise of the productivity of live labor is insufficient to maintain the price level, much less reduce it. That would require a drop in the production cost reflecting a saving on total embodied labor. In the 8th Five-Year Plan cost per ruble of output in the industrial sector (in comparable prices) dropped 4.9 percent, in the 9th 3.1 percent, and in the 10th only 0.4 percent. Costs per unit output have also been rising over a lengthy period in agriculture.

The slowing down of the rate of cost reduction is related to the inadequate pace and scale of the application of new technology and its inadequate effectiveness, and the incomplete use of the production potential that has been created. Specific capital outlays and the value of fixed capital have risen, as have the costs of their maintenance and reproduction, especially in the extractive branches of industry. A definite influence is also being exerted by the world economic conjuncture, which is characterized by a steady rise of prices. The effect of this factor is becoming stronger; for one thing because of expanded economic relations with the CEMA member countries, in whose economy foreign trade with the capitalist countries occupies a considerable place.

Along with this a definite role is also being played by distributive relations, above all reduction of the gap between the rate of increase of labor productivity and the growth rate of remuneration. Over the period 1950-1965 labor productivity in industry rose 249 percent, while the average wage of industrial production personnel proper rose 143 percent; over the last 15 years (that is, between the two last price revisions, whose cost bases were 1965 and 1980) those increases were 207 and 178 percent, respectively. That situation could not but have an effect on the change of the production cost, which determines the dynamic behavior of wholesale prices. The stabilization of prices under the conditions of expanded reproduction and higher expenditures for social welfare purposes necessitates higher rates of reduction of the production cost than had been achieved in the preceding years.

Prices serve as a planning instrument. They are used in computing value indicators characterizing the state and development of the economy. The new wholesale prices make it possible to determine more precisely the proportions in reproduction and the dynamic behavior of value indicators. How has introduction of the new wholesale prices been reflected in the rates and proportions of industrial production? Along with the general growth in the volume of output in value terms, the sectoral structure of production has undergone a change. As a consequence of the higher prices of coal, gas, petroleum and products derived from them the share of the branches of the fuel and energy complex in the total volume of industrial output in 1982, computed in the new wholesale prices of enterprises, rose from 9.5 to 12.7 percent by comparison with the same indicators in the prices in effect up until 1 January 1982, and that of all other branches of the extractive industry (except the chemical industry) rose from 28 to 34 percent. In the chemical industry wholesale prices were raised for sulfur and sulfuric acid and manufactured fertilizers, and they were reduced for synthetic resins, rubber, motor vehicle tires, industrial rubber goods, plastic articles, paints and varnishes and reagents. The volume of output of the chemical and petrochemical industry as a whole has not changed, but its share in the total volume of production has dropped 0.6 percent.

As a result of the lower prices of machine tools, tools, instruments and equipment and the higher cost of the products of other branches, the relative share of machinebuilding in industrial output has dropped from 30 to 27 percent. Moreover, certain shifts have taken place in the branch structure of machinebuilding: the value of the output of the motor vehicle, tractor and electrical equipment industries has increased, and that of the output of machine tool building and instrumentmaking has decreased. While wholesale increases for the products of light industry, the sugar industry and the fish industry, there has been practically no change in the relative share of branches in Group B.

Shifts in the branch structure of industrial output caused by the changes in price relations (in particular by the more sizable rise of the price level in the fuel branches and the relatively low growth rates and even price reduction in rapidly developing machinebuilding) brought about a partial slowing down of the growth rate of production in the industrial sector as a whole as compared to the same indicators computed in the prices in effect until 1 January 1982,

amounting to approximately 0.2 percent for the year. This does not, of course, signify a drop in the growth of the volume of output in physical terms (the indicators were calculated for one and the same volume and assumed the same structure of production) and only characterizes the rate of increase of its value. The volume of output in wholesale prices of enterprises as a whole increased 11 percent.

A sizable portion of industrial output is consumed within industry itself. Accordingly the structure of production costs has undergone a change, as is evident from the figures below (in percentages of the total):

| <u>Indicators</u>                           | <u>In Wholesale</u>     |                  |
|---|-------------------------|------------------|
|   | <u>Prices in Effect</u> |                  |
|   | <u>Until</u>            | <u>Beginning</u> |
|   | <u>1 Jan 82</u>         | <u>1 Jan 82</u>  |
| Material costs (not including depreciation) | 73.0                    | 74.8             |
| Depreciation of fixed capital               | 8.1                     | 7.3              |
| Wages and social insurance deductions       | 14.5                    | 13.9             |
| Miscellaneous expenses                      | 4.4                     | 4.0              |

The increase in the share of material costs resulted both from the change of prices of raw materials, supplies, components, fuel and energy and also from the higher cost of products of the primary phases of manufacturing consumed in the subsequent phases. The costs of the extractive branches of industry for geological exploration and afforestation work, offset by the charge for natural resources utilized, have also increased.

The makeup of material costs has been treated more precisely. They include services of an industrial nature, which were previously included in the production cost (sebestoimost') as "miscellaneous expenses." As a result material costs rose 11.3 percent, and their share in the production cost rose to 74.8 percent. The share of depreciation dropped somewhat, but there will be a need to reduce the value of fixed capital to a single valuation in present prices, and as a consequence the size of deductions for depreciation and their relative share in costs will increase once again.

The rates of social insurance deductions were raised at the same time that the new wholesale prices were introduced in order to reimburse more fully the expenditures of the state for manpower made from social consumption funds. Relative to wages its increase was 6 percent, but at the same time the share of outlays for wages, including the deductions, in the production cost decreased.

Introduction of the new wholesale prices raised the level of profitability of output. Whereas before the price revision the share of the production cost in wholesale prices of enterprises was 86.8 percent and that of profit 13.2 percent, and profitability relative to production cost was 15.2 percent, since introduction of the new wholesale prices the share of the production cost has dropped to 86.2 percent, the share of profit has risen to 13.8 percent, and profitability has risen to 16 percent.

While profitability as a whole has changed less than 1 percentage point, its level has risen substantially in the branches of the fuel and energy complex (except for coal mining), the metallurgical industry, the timber industry, the fishing industry and the production of building materials, and it has dropped in the chemical and petrochemical industry. Because of an unjustified restriction on the size of the increase of wholesale prices and the orientation toward the past rather than toward the future level of costs (real prices were determined on the basis of the 1979 production cost) two-thirds of the associations of USSR Minuzleprom (Ministry of Coal Industry) and the coal mining industry as a whole were left operating at a loss. In other branches the average level of profitability changed slightly, but major shifts occurred in price relations and profitability of particular products. This has created conditions for improving the accuracy of calculations of income and costs, which is especially important in determining the economic efficiency of production.

The change in the quantitative expression of value indicators in connection with introduction of the new prices does not, of course, in and of itself signify a rise or drop of efficiency. The significance of sound prices lies in the fact that they make it possible to compare actual costs to real results and to determine the effectiveness of changes in the structure and location of production, of measures to raise the technical level of production and improve its organization, and of the utilization of natural, physical and labor resources and fixed capital.

The revision of wholesale prices was accomplished during fulfillment of the fifth five-year plan. As a result of the large and lengthy work of planning and financial authorities and the staff services for economics of ministries, departments and enterprises, the transition to the new prices in planning and running the economy has been carried out in an organized way, on a balanced basis, and without losses to the state budget or economic authorities and without violation of their economic interests. But this did necessitate adjustment of the targets of both the annual (1982) and also 5-year plans (for the remaining years), which to a certain degree detracted from their effectiveness and made it more difficult to evaluate the performance of enterprises and other economic entities in the transitional period.

Price stability is a condition of the realism and stability of plans and economic standards and the stability of the entire system of financial and economic relations in the national economy. That is why the decisions adopted have specified that in future revisions of wholesale prices must as a rule be carried out no more often than once every 5 years. Planning personnel of ministries and enterprises are unanimous in the opinion that it is advisable to carry out such a revision along with the drafting of 5-year plans and to put the new wholesale prices into effect at the outset of the new 5-year period. If that condition is met, they would correspond to the planning proportions in the highest degree and would serve as an implement for fulfillment of the plan.

Revision of wholesale prices is a large-scale measure involving "retuning" the planning system and the entire economic mechanism. Performance of this measure requires a lengthy period of time and thorough and comprehensive preparation. That is why it seems advisable even now, relying on the experience in

the price revision that has been carried out, to continue the effort to improve prices. The price system, like every other active y operating system, must be developed and improved constantly.

Under present conditions, when strengthening the intensification of social production and increasing the efficiency of the economy are becoming the most important tasks, there is a growing need for the socially necessary expenditures of labor to be consistently reflected in prices. This presupposes above all methodological unity in the principles for structuring both the entire price system and also the wholesale prices of industrial products.

The system of prices used in evaluating industrial output and the costs of its production includes the following: wholesale prices of industry; prices of enterprises; modified retail prices (after deduction of the turnover tax and trade-sales discounts), which are used instead of wholesale prices in cases when the latter have not been set. The prices of certain products (coal, petroleum, gas, etc.) are differentiated by regions of production, and in a number of cases by regions (zones) of consumption and by the purpose of the product (for example, rate schedules for electric power).

It is clear that the costs and results of production measured by a different unit of measurement (the price) are uncomparable, and the value indicators computed on that basis cannot yield an unambiguous and precise answer to the question of the efficiency from the standpoint of the national economy of producing various interchangeable products, of the development of regions, and so on. The situation is compounded by the fact that certain elements of financial relations determining the ways in which the costs of enterprises are reimbursed and net income is formed are not optimal. They include the application of accounting (raschetnyye) prices to certain types of agricultural raw materials, involving regulation of differences between purchase prices and accounting prices through the state budget, the subsidy to production in the stage of procurement and primary processing of raw materials (but not the sale of the end product), and the "cutting away" of a part of the income of industry by means of the turnover tax. Planning is attempting to eliminate the adverse aspects of the present system of price setting and financial relations by introducing evaluation of output in prices of enterprises (omitting the turnover tax) and in uniform (average-union) comparable prices for the products of the coal, petroleum, gas, electric power, fishing and other branches of industry.

The basis for calculation of wholesale prices is the planned production cost of the product, whose relative share in the structure of prices of industry is more than 70 percent. That is why the degree to which prices approximate the social expenditures of labor depends first of all on the economic soundness of determination of the boundaries and conditions in formation of production costs. The makeup of costs comprising the product's production cost (sebestoimost') has been determined under the impact of the system of financial relations, which empirically performed the task of accumulating and committing financial resources to meet the needs of the economy. Here the forms of income and the ways in which costs are reimbursed in a number of cases do not correspond to their economic content, and as a result the production cost of the

product does not include all the outlays of society for production, in particular those related to the utilization of natural resources.

In the price revision the proportions of deductions for geological explorations, which are included in the production cost, were increased in the petroleum, gas, iron mining and certain other branches of the extractive industry; stumpage rates for timber were raised to reimburse outlays for reproduction of timber resources; the water charge was introduced, to be collected by industrial enterprises in water management systems. Rates of deductions for social insurance were also increased. A step was thereby taken in the direction of putting order into the accounting of costs in the production cost and in prices. But these measures were not carried out altogether consistently. The deductions for geological explorations were not included in the production cost of coal and certain other types of natural raw materials. Deductions for social insurance were not raised in the coal industry, and in the metallurgical and timber industries they were not raised sufficiently; they do not reimburse all the outlays of the state for manpower financed from social consumption funds. In our view bonuses paid from the material incentive fund and representing a part of the fund for remuneration of labor should be included in the production cost of the product; no one has any doubt about their belonging among production costs.

Introduction of the new wholesale prices has improved the conditions for the stimulation of production, above all by means of full reimbursement of the costs of enterprises which previously were operating at a loss and reduction of the share of products with low profitability. In order to increase the motivation to improve product quality prices have been differentiated to a greater extent with respect to types, grades, makes and other qualitative parameters; new supplements and reductions applied to the prices of certain products have been introduced to take into account their properties, for example, those applicable to the prices of coal and petroleum depend on their readiness for subsequent consumption (moisture content, content of admixtures, and so on). In order to satisfy the needs of the population more fully wholesale prices of the products of light industry and the food industry have been oriented toward stimulating the output of high-quality goods with improved use characteristics and toward renewal and expansion of the assortment.

The task of stimulating renewal of the assortment of products, the manufacture of new technology in particular, is more complicated. The setting of prices when price relations are given in advance as a function of the priority of the particular product, is difficult to achieve, mainly because of differences in the costs of producing the same products by different enterprises. As a result of the price revision fluctuations in levels of profitability of products at enterprises have been reduced, but they have not disappeared, since they are objectively brought about by the differing operating conditions of enterprises and by the corresponding cost levels. For instance, after the introduction of the new prices in the associations and enterprises of Minelektrotekhprom [Ministry of Electrical Equipment Industry], Minavtoprom [Ministry of Automotive Industry], and USSR Ministroymaterialov [Ministry of Construction Materials] and other ministries, while the average level of profitability is normal, there are a sizable number of products which the economy needs and

which are not to be withdrawn from production, but which are being produced at a loss.

During the life of wholesale prices and up until their regular revision takes place differences in profitability usually increase because production processes have not been smoothed out to an equal degree and the volume of output of the old product and the new product may differ. Success is not always achieved in eliminating these differences by raising profitability rates in the prices of the new products, since the relative share of the latter in the total output, as well as in the profit realized, is usually not great, and as a consequence their influence on formation of incentive funds is negligible.

Changes have been made in the method of determining the wholesale prices of new machines, equipment and instruments for production and technical purposes aimed at increasing the profitability of those products, one of the ways being to set the prices on the basis of the planned production cost in the first year of manufacture (after deduction of costs to be reimbursed from the unified fund for development of science and technology) and the level of planned profitability set for the manufacturing enterprise in the year when the new product is being put into production. This is supposed to diminish differences in profitability between new products and those already in production, but it will hardly guarantee profitability of the production of new technology in all cases. As experience is demonstrating, the question of the priority of manufacturing new technology cannot be solved by means of prices alone.

Attempts are also being made to use prices to stimulate conservation of physical resources. We should note in this connection that the planned costs of acquiring them are determined on the basis of the prices in effect. Should the latter drop or rise, there is a corresponding change in the size of the planned costs, but enterprises do not obtain additional above-plan profit or losses. There is no other way, since manipulation of prices that is not related to the plan would bring about disproportions and disjointedness between the limits and assignments incorporated in the plan for physical and value indicators, and internal inconsistency of the plan would result.

As a practical matter enterprises do not have opportunities to achieve an economy by substituting certain resources for others without detracting from product quality. The size of the bonuses for reduction of the rate of consumption of materials in production, though they are in proportion to the price, are not determined by its level, but by the additional expenditures of labor, and they should not come into contradiction with the principle of remuneration according to quantity and quality. That is why prices have a limited influence on resource conservation.

Planned wholesale prices do not directly perform the function of a regulator of production, which is inherent in the system of planned management as a whole. The stimulating "load" is borne not only by the profitability rate, but also by the system of bonuses and the system for distribution of profit. The bonuses are most effective when directly related to the results of labor and resource conservation. Pursuant to the decisions of the 26th CPSU Congress, the role of production cost indicators, which reflect utilization of

all types of resources, is to be enhanced in evaluating the performance and stimulating collectives of enterprises and associations.

The potential capabilities of profit as an instrument for stimulation is at present not being sufficiently utilized because of the instability of plans and the imperfectness of the system of the distribution of profit, in particular because of the approach based on the "gross" share without taking into account what product is produced and by what means it is obtained. It seems to us that the task is to relate this system to the priorities set forth in the plan and to the principle that production needs to be intensified and the economy regime tightened. Moreover, the growth of profit should reflect the real rise in production efficiency. Then its distribution can serve as a reliable instrument for stimulation at both a high and also a low level of profitability. It accordingly seems necessary to make an additional comprehensive study of the problem of incentives with a view to the interaction of prices, the system of profit distribution, the formation of incentive funds, and other economic levers. As for prices, their level serves the purposes of stimulation, in our opinion, when that level reflects most accurately the socially necessary expenditures of labor and thereby makes it possible to objectively evaluate the costs and results of production.

One of the tasks in planned-price setting is ensuring reimbursement of production costs and profit to every enterprise operating normally. Performance of that task cannot be a simple and unambiguous matter, since prices are set on the basis of the average costs of the branch, and differences in their levels from enterprise to enterprise are sizable. This applies not only to the extractive industry, in which the natural conditions for extraction of the raw material are unequal, but also to the manufacturing branches, whose products are produced by enterprises which have differing conditions with respect to the level of their technical adequacy, combination and cooperation, frequently using different raw materials and specific methods, so that there are large differences, then, in production. Here lies one of the reasons why even after introduction of the new prices certain enterprises of USSR Minvetmet [Ministry of Nonferrous Metallurgy], Minkhimprom [Ministry of Chemical Industry], a number of machinebuilding and other ministries, as well as many repair plants of *trav' i ustroystva* 'khoztekhnika have ended up in the red. Ensuring the profitability of all enterprises by setting prices oriented toward the highest level of costs would deflect prices away from the socially necessary costs and would cause them to increase unjustifiably.

Differentiation of wholesale prices by enterprises is also unacceptable; it would violate the principle of an equal price for an equal useful benefit. Differentiation of wholesale prices may occur as an exception only on certain products in regions of their separate production and use.

Ensuring profit to every enterprise does not presuppose equal profitability. The planned system of distribution of profit makes it possible to meet the needs of associations and enterprises for financial resources by differentiating the share of profit left to their disposition, combined when necessary with the direct methods of income redistribution. In cases when there are sizable differences in planned levels of costs the most acceptable method of

linking wholesale prices to the task of ensuring the profitability of all enterprises operating normally is to apply two types of prices--uniform prices for consumers and individual accounting prices for producers equal to the sum total of wholesale prices. This redistribution of income within a ministry does not contradict the principles of price structuring, since the average price is formed from individual costs, and it is feasible in practice, since it is the most flexible method of redistribution of income, which guarantees a balance between costs and income in every unit and agency for management of production.

There are objective possibilities in a socialist economy for structuring wholesale prices on a scientific basis that would meet the goals and tasks of economic and social development and the requirements of planned guidance of the economy. If advantage is to be taken of those opportunities, there will have to be further comprehensive improvement of the system of economic relations: methods of reimbursement of costs, forms for realization of net income, the formation of enterprise funds and social consumption funds, etc. There is also a need for further work on the methods problems of national economic planning and the setting of prices in mutual correlation.

The decisions of the November (1982) Plenum of the CPSU Central Committee emphasized the need for a comprehensive rise in the level of the effort to further improve the planning and management of the economy. Improvement of the price system, which should be regarded and performed as a planned and organized process, included among the system of measures to improve management of the economy as called for in prospective plans, is an integral part of that effort.

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## INVESTMENT, PRICES, BUDGET AND FINANCE

### ASPECTS OF PRODUCTION COST REDUCTION REVIEWED

Moscow EKONOMICHESKAYA GAZETA in Russian No 7, Feb 83 p 15

[Article by V. Pavlov, department chief of USSR Gosplan and doctor of economic sciences: "The Reproduction Aspect of Production Cost"]

[Text] The production cost of a product or of jobs done or of services rendered holds one of the leading places in the economic mechanism for the socialist conduct of economic activity and in evaluation of the effectiveness of economic activity. It reflects the inputs of resources of all types for production and distribution, which to a considerable extent predetermines the scale of resources for accumulation and for raising the population's standard of living. The level of prices and profitability, the payoff of capital investments, the size of production stocks and a number of other economic indicators depend on the production cost.

It is sufficient to say that the production cost comprises four-fifths of the wholesale prices of industry, and the absolute growth of profit from reduction of the production cost by 1 percent is sixfold greater than from increasing the volume of industrial output by 1 percent. Performance of the tasks set by the 26th party congress aimed at increasing the efficiency of social production is determined in large part by achievements in the effort to reduce costs per unit output. "Everything we make and produce has to be made and produced at the lowest possible cost to a high standard of quality, quickly and competently," Yu. V. Andropov emphasized in a meeting with Moscow machine tool builders.

The opportunities and untapped potential that exist here are not being fully utilized by any means, as indicated by the slowing down of the rates of decrease of production cost and the fact that in certain sectors they are even rising.

#### The Comprehensive Character of an Indicator

The traditional approach comes down to seeking the principal potential for reducing the production cost of a given product only in connection with its manufacture, within production proper. This approach has not lost its importance. But in the context of intensification it is becoming increasingly necessary to take advantage of that enormous untapped potential for reducing production

cost which is determined by optimalization of other spheres and aspects of the process of reproduction as well, aspects related to the renewal of fixed capital, the location of production, selection of effective directions for the use of the product, and improvement of supply and sales. All of this presupposes a qualitatively higher level of planning work.

As an indicator the production cost has a number of objectively inherent advantages over other value indicators in assessing the effectiveness of economic activity. They include comprehensiveness, extensive comparability and the fact that it runs through all phases, its dynamic nature, and its direct relation to the physical indicators of resource utilization. The comprehensive nature of the indicator results from the fact that its level is directly dependent on effectiveness of utilization and the level of costs for reproduction of productive capital and manpower, on the location of production and on the organization of supply. When the optimum pressure is exerted on the particular cost component, the production cost as a whole will drop even though certain elements increase. Conversely, however much a partial component improves, if it brings about additional inputs of other resources or in another unit of social production on a larger scale, the production cost increases.

A formal saving on workplace health and safety and improvement of working conditions, for example, inevitably increase the production cost. Working conditions which do not meet present-day requirements constitute one of the principal reasons for personnel turnover and understaffing. Ultimately this results in higher costs for remuneration, ineffective use of fixed capital, higher management costs and other expenses.

The effectiveness of the process of reproduction of fixed productive capital is also reflected in the level of the production cost. The discrepancy in a number of sectors between the scale of new construction and labor resources, the drop in the share of outlays for the extraction and conservation of raw materials, the low efficiency of equipment, the protracted nature of the investment cycle because of the predominance of new construction projects, exceeding the allowed time, and the scale of obsolescence and physical wear on equipment are causing outlays for depreciation, current repairs and maintenance of fixed capital to increase faster than output. This is tending to slow down the rate of decrease of the production cost.

The situation described came about in the years of the 10th Five-Year Plan in Minenergomash [Ministry of Power Machinebuilding], where total costs for reproduction and maintenance of fixed capital per unit output rose 14 percent, in Mirozhivmash [Ministry of Machinebuilding for Animal Husbandry and Fodder Production]--10 percent, Minavtoprom [Ministry of Automotive Industry]--6.4 percent, and USSR Minchermet [Ministry of Ferrous Metallurgy]--5.3 percent.

In spite of the obvious effectiveness of retooling and reconstruction of production, ministries and associations are giving preference in the plan for development of sectors to new construction even when the share of physically worn-out and obsolescent equipment is substantial. Calculations show, for example, that the operation of equipment beyond standard life costs an additional 2.5 million rubles per year for major repairs in the industrial sector.

beliefs in utilizing new capacities and slowness in attaining rated technical-industrial indicators are adversely affecting production cost. In the period of bringing capacities up to designed output, it is well known, larger physical, labor and financial resources are allocated. The gap in time between activation and attainment of rated output turns them into a kind of untapped potential for the ministry.

It is evidently advisable to begin to draft and approve the plan in two stages: first for existing enterprises and then for new construction. The capital construction plan, in our opinion, should contain not only costs, activation of capacities and the value of capital, but also the volume of output and labor and material costs of the facilities to be put into operation. Then in the course of fulfillment of the plan it will be possible to establish effective supervision over use of resources for the purpose specified and, if necessary, to demand their return.

#### The Role of the Consumption Sphere

The comprehensiveness of the production cost as an indicator is not bounded by the limits of the individual enterprise, but by its nature extends throughout the national economy. For instance, the efforts of those building new technology and up-to-date types of progressive materials are yielding a benefit in the form of relative reduction of consumption of physical resources and reduction of the need for capital investments, manpower and production stocks. In this connection it is sometimes necessary for producers to make additional outlays—in connection, for example, with manufacturing products of improved quality, in order to obtain a final benefit from the standpoint of the national economy. It is of fundamental importance that the saving of consumers cover the producer's additional outlays.

Since implementation of this principle depends not only on the effectiveness of the new technology being compared, but also on where, for what purposes, on what scale and in what period of time it will be created and used, objectively the production cost is an indicator that can help in obtaining an answer about real effect/losses. For example, when the wholesale price and profitability were being set on the K-100 tractor, the point of departure was its potential capability of operating with some 60 drawn attachments. But only half as many of them were produced, and as a result the actual benefit from use of the K-100 was far less than was taken for granted in the price. And in order to guarantee a real reduction in the production cost of the consumer, the output of the full set of tractor-drawn implements has to be increased.

The example concerning introduction of progressive shapes of rolled products, which makes it possible to guarantee a sizable saving of metal, is typical. In the 11th Five-Year Plan this factor is supposed to account for about a fourth of the entire projected saving on ferrous metals in physical terms. The higher costs of metallurgists are, of course, being compensated by a higher price. The profitability, as a part of the benefit to the national economy, which can be obtained in the use of this product has been raised, and provision has been made for increased profit and motivation on the part of producers. At the same time the production cost indicates that at the given

level of organization and scale of production of progressive types of rolled products the national economy is at present incurring additional costs. The production cost per ton of thin-sheet rolled products (up to 4 mm) at enterprises of USSR Minchermet, according to 1980 data, is 30 percent higher than the production cost of heavy-sheet rolled products, and that of high-precision formed steel shapes is 2.5-fold higher than the production cost of bent shapes. When the higher profitability is taken into account, the wholesale prices per ton of thin-sheet rolled products is 1.5-fold higher and that of formed shapes more than threefold higher.

This kind of relationship between production costs and the wholesale prices affected by them is not offset by the consumer's saving. In 1982 (according to the plan) enterprises of Mintyazhmash [Ministry of Heavy and Transport Machinebuilding] were supposed to save more than 4,000 tons of ferrous metals by substitution of the assortment of metal products consumed, which amounted to approximately 10 percent of the requirement, but the cost of the smaller amount of metal consumed was 16.5 percent higher than that of the products being replaced.

Expansion of the volume of production of economical types of metal products through retooling and reconstruction of metallurgical enterprises will make it possible to reduce the production cost of progressive types of rolled products to a level that guarantees a saving for consumers which at least offsets the higher costs of production. It is also advisable to analyze the soundness of price relations for different types of metal products and the real economy of their consumption when use is optimal. If necessary, of course, the prices should be changed so that producers and consumers have an economic motivation to manufacture and use economical types of rolled products.

#### If Resources Are Interchangeable

The question of the purposes for the use of particular interchangeable materials in the existing production cost relations is equally important to determining efficiency from the standpoint of the national economy. For instance, a large economic benefit can be obtained from using plastics. Their use can yield more than 600 rubles per ton or more than 1.5 billion rubles for the entire growth of production and consumption of plastics in the 11th Five-Year Plan.

But the actual benefit is still substantially less than is possible at the present time. The reason is that plastics are not uncommonly used where the technical and technological conditions for this have already been created or where there is a shortage of other materials to be incorporated into the product, rather than where this would be most desirable.

The production cost relation between a ton of plastics and the corresponding amount of materials being built into the product which they replace differ sharply both as a function of the substitute chosen as well as of the material being replaced. Moreover, the saving on the materials being replaced may even in physical terms be greater for those types of plastics where the overall benefit is lowest or may be more expensive for the national economy.

For example, the production cost per ton of the material incorporated into the product drops 300 rubles (in 1981 prices) when rolled products of ferrous metals are replaced by polyethylene. Use of polyurethane for the same purposes means a higher cost of more than 3,000 rubles. Replacement of stainless steel by polyurethane will mean a saving of more than 1,400 rubles. Use of polystyrene instead of rolled products of ferrous metals will yield a higher cost of 300 rubles, but when aluminum and stainless steel are being replaced, there will be a saving from 1,100 to 9,500 rubles per ton, respectively.

At present certain facilities for the production of plastics are underloaded because of a shortage of raw materials. And under the conditions of chemical production, in which the relative share of the conventional category of "fixed costs" is high, this results in an unjustifiably high production cost. That is why the faster-than-average development of the raw materials sectors will make it possible for plastics production to reduce the production cost by 3-5 percent without any additional outlays and thereby to increase the efficiency of the use of plastics in the national economy.

Thus one of the key questions concerning reduction of materials intensiveness of production is the rapid growth of production of progressive types of rolled products and plastics and their lower cost on the basis of retooling of production and improvement of its structure and optimalization of consumption.

Work is already being done in this regard in accordance with the decree on conservation of physical resources (June 1981). The assignment of planning targets for production cost and of limits on physical inputs within those targets and the measures taken to improve the setting of norms on physical resources will also help to reduce production costs.

The size of the problem makes it a necessity to enhance the role of the production cost in planning and cost accounting (khozraschet) so that planning targets for reduction of costs orient collectives toward performing the tasks of increasing efficiency throughout the entire great diversity of the specific content of the processes of reproduction.

## INDUSTRIAL DEVELOPMENT AND PERFORMANCE

### CSA CHIEF RECOUNTS ATTAINMENTS OF ECONOMY

Moscow EKONOMICHESKOYE SOTRUDNICHESTVO STRAN-CHLENOV SEV in Russian No 12,  
Dec 82 pp 2-5

[Article by Lev Volodarskiy, chief of USSR Central Statistical Administration (CSA): "The Frontiers of the Country of Soviets"]

[Text] It is now 60 years that the homeland of the Great October Socialist Revolution and of its genius Vladimir Il'ich Lenin has borne the proud designation Union of Soviet Socialist Republics. The first triumphant socialist revolution in world history put an end to ethnic oppression once and for all and laid a sound foundation for the free development of all nationalities and ethnic minorities and for their close unity and friendship.

By the will of the peoples of our country the Union of Soviet Socialist Republics was created on 30 December 1922--the world's first unified multinational state of workers and peasants, which embodied a direct continuation of the work of the Great October and practical implementation of Lenin's principles of nationality policy.

The history of the USSR is the history of the unprecedented growth and comprehensive development of the state engendered by the socialist revolution, which today has become one of the most powerful states in the world. It is the history of gaining of strength and true flowering--economic, political and cultural--of all the republics rallying under its banner and all the nationalities and ethnic minorities inhabiting the country.

In 1922 the country's economy was still experiencing the serious consequences of the imperialist and civil wars and the foreign intervention. The gross social product and national income were half what they were in 1913, and industrial output was two-fifths of what it was. The volume of agricultural production had dropped to less than five-sevenths of what it was. The USSR's share in world industrial output was approximately 1 percent.

Formation of the USSR was a prerequisite for conducting a unified economic policy aimed at the rapid uplifting of the former ethnic districts and at comprehensive development of every union republic on the basis of their economic and social peculiarities and expansion of economic ties among them in order to guarantee dynamic and effective development of the country's entire economy.

The great fraternity of working people, the indestructible Leninist friendship of peoples, and the unity of interests of all classes and strata of our society and of all the nationalities and ethnic minorities, led by the Communist Party, was one of the inexhaustible source of constructive creativity of the masses and a solid basis guaranteeing socioeconomic progress of the USSR.

From one year to the next, from one 5-year period to the next, the country became stronger as it carried out industrialization, collectivization of agriculture and the cultural revolution. The prewar economic level was reached in a short period of time. The plans of the first 5-year periods were fulfilled successfully. The greatness of the friendship of peoples was manifested with particular force in the years of the Great Patriotic War and the postwar rebuilding of the economy. This unification of peoples under the leadership of the Communist Party became a pledge to successful construction of an advanced socialist society.

The strong pace and scale of our economic development are characterized in summary form by the national income, which is the basic source of expanded socialist reproduction and the rise of the people's well-being. In 1981 it was 167-fold greater than the 1912 level and 14.6-fold greater than the 1940 level. It now takes only 7.2 days to produce the national income achieved in 1922.

Such achievements were ensured first of all by the very rapid development of socialist industry. In 1982 the volume of industrial output was 537-fold greater than the 1912 volume and 23-fold greater than the volume in 1940. The present daily output of electric power would have taken 27 days in 1940, the daily output of petroleum (including gas condensate) 20 days, steel 8 days, manufactured fertilizers 33 days, motor vehicles 15 days, tractors 18 days, cement 11 days, and gas production nearly 5 months.

Branches which to a considerable extent guarantee scientific-technical progress in the economy have been developing at high stable rates. For instance, the output of machinebuilding and metal manufacturing was in 1982 81-fold greater than the 1940 level, that of chemistry and petrochemistry 64-fold greater, and the electric power industry 35-fold greater. The output of consumer goods has been increasing on a large scale. It now takes 1 month to produce the output of the entire year of 1940.

The country's economic development has been accomplished according to a strategy of building a unified national economic complex. "Integration of the economy (material and resources of all the republics," Comrade N. A. Tikhonov, chairman of the USSR Council of Ministers, has noted, "is speeding up development of each of them--both the small and the large. Public ownership of the means of production, above all ownership by the people as a whole, and centralized planning have afforded the possibility of an optimum approach to location of the productive forces, have assured freedom in economic maneuvering, and have made it possible to deepen the socialist division of labor, production specialization and industrial cooperation among the republics.

"The high level of centralization and concentration of all the basic resources in the hands of the state are creating the objective prerequisites for dynamic gradual development of the national economic complex."

Every republic is specializing according to plan in development of those branches and production operations which are most efficient for it in accordance with its natural and economic conditions.

RSFSR industry is manufacturing more than four-fifths of the output of motor vehicles, generators for turbines, and petroleum equipment, three-fourths of the forging and pressing machines, about two-thirds of the chemical equipment, and approximately half of the metal-cutting machine tools. Russia's fuel and energy complex provides 90 percent of the union production of petroleum (including gas condensate), about two-thirds of the gas, and 63 percent of the electric power generated.

UkSSR accounts for a sizable portion of the coal that is mined, more than half of the iron ore, and more than a third of the union output of finished rolled products of ferrous metals is concentrated there. The republic occupies first place in the production of granulated sugar. The Ukraine is manufacturing almost half of the metallurgical equipment and power transformers, almost all the diesel locomotives, all the beet-harvesting machines and corn-harvesting combines.

The growth rates of industrial production achieved in LiSSR are the highest of all the union republics. Machinebuilding, chemistry and petrochemistry, the woodworking, peat, light and food industries have undergone large development.

In 1981 one out of every three main-line railroad passenger cars in the country, one out of every four subway cars, one out of every four radios, one out of every six buses and one out of every six washing machines manufactured in the country bore the emblem of Latvian plants. Production of Soviet diesel multiple-unit trains, transistor radios, microbuses, and noiseless subway cars was organized first in Latvia.

The former ethnic districts of Russia, which in the time of tsarism served as suppliers of raw materials and farm products for the principal industrial centers, have been transformed into highly advanced industrial regions of the Soviet Union. For instance, a large-scale fuel and energy base, ferrous and nonferrous metallurgy, chemical and petrochemical industry, and the machinebuilding industry making tractors, almost all types of machines for cultivating and harvesting cotton, equipment for cotton gins and spinning mills, diesel engines, excavators, chemical and materials-handling equipment, etc., have been created in UzSSR.

KiSSR has a multibranch industry. Petroleum, gas and coal are produced in the country, as are nonferrous metals, electric motors, metal-cutting machine tools, machines for animal husbandry and livestock feed production, and instruments.

Tajikistan, which possesses very great energy resources, did not have a single power station before the revolution. Now as much electric power is generated in this republic as in the entire country at the end of the 1st Five-Year Plan. A large-scale multibranch industry has been built.

In the USSR the petroleum refining, chemical and petrochemical, gas, cement, glass, canning, and confectionery industries have been built. The republic generates 3.6-fold more electric power than in all prerevolutionary Russia.

Kazakhstan is a clear confirmation of the triumph of Leninist nationality policy. A large-scale and up-to-date industry has been built in the republic. Kazakhstan is now one of the principal centers of the country's nonferrous metallurgy. Ferrous metallurgy, the fuel and power industry, machinebuilding, and the coal, petroleum, chemical and petrochemical, light and food industries have undergone substantial development. Kazakhstan is today producing an output that is fivefold greater than all of prerevolutionary Russia.

Assessing the very great achievements of the Central Asian republics and Kazakhstan, L. I. Brezhnev said: "In the capitalist world they often refer to far more modest achievements as a 'miracle.' But we communists do not see anything supernatural in what has happened in Soviet Central Asia, in Soviet Kazakhstan. This is what one might call a natural miracle--natural for Soviet power, for socialism, for those relations of friendship and fraternity of peoples which have been established in our country."

In the Soviet state all branches of social production have now been developed--industry, agriculture, and transportation, and capital construction is being carried on on a broad scale.

The country's industrialization has radically altered its position in the world economy. The USSR's share in world industrial output is now one-fifth. At the beginning of the 1st Five-Year Plan the per capita industrial output of the country was 40 percent below the world average, and now it is more than threefold greater.

Radical changes have taken place in agriculture. Instead of millions of tiny peasant farms, large socialist agricultural enterprises possessing up-to-date plant and equipment have been created in every union republic. That is only one vivid example. At the present time in the republics of Central Asia where only exhausting manual labor prevailed in agriculture before the revolution, power capacity per 100 hectares of plowland is more than twice the average for the country. Mechanization, chemicalization, reclamation and introduction of advances of science in agricultural production have become a sound foundation guaranteeing its steady intensification. All of this has made it possible to increase the volume of output even as the size of the sector's work force decreased. For instance, the gross output of agriculture in 1981 was 5.2-fold greater than in 1922 and 2.4-fold greater than in 1940. The entire growth of output was achieved by raising labor productivity. In the socialized sector of agriculture it has grown fourfold over the prewar period.

The decisions of the March (1965) Plenum of the CPSU Central Committee, which laid the foundation for the party's present farm policy, which is being consistently implemented, had very great importance for the development of agriculture. New frontiers of the sector were delineated by the May (1982) Plenum of the CPSU Central Committee, which approved the USSR Food Program for the Period up to the Year 1990, which was drafted in accordance with the decisions

of the 26th CPSU Congress and which defined a set of interrelated measures guaranteeing a substantial growth of production of farm products. Every republic, kray, oblast and rayon, every sector of the economy, and all work collectives in cities and rural areas are called upon to make a maximum contribution to solving the food problem--the central problem of the party and state in the 11th and 12th Five-Year Plans.

The USSR possesses a mighty and up-to-date construction industry. Today the average amount of fixed capital put into operation per day is 1.5-fold greater than in all of 1922.

A unified transportation system embracing all republics and economic regions of the country has been built.

The supreme goal of social production under socialism is the fullest satisfaction of the growing material and nonmaterial needs of the people. Guided by this humanitarian goal, which has been set forth in the USSR Constitution, the Communist Party and Soviet state have always done everything possible to continuously raise the level of living of the Soviet people. This task has been solved under problematical historical conditions. Wars and the years of economic recovery, which for a lengthy period limited the possibilities for solving the multifaceted problem of raising the prosperity of the people, took about 20 years away from the first country of socialism.

As an advanced socialist society was built, the resources of the Soviet state became substantially larger, which made it possible to orient our economy toward the long range, taking the task of the rapid rise of the material and cultural levels of living of the people as the point of departure. The nationwide character of the social welfare policy of the CPSU and Soviet state, which is aimed at solving problems so urgent for all the nationalities and ethnic minorities as increasing the well-being, education and culture of the workers, improving the conditions of their work and rest, development of housing construction, and improvement of the social security system, medical service and environmental protection, is being revealed more and more fully.

To be specific, in the seventies the broadest program in the country's entire history was carried out to raise the people's level of living. In that period 32 billion rubles were allocated to carrying out statewide measures to raise the prosperity of the people, which is almost twice as much as in the previous 10 years. Real per capita income increased almost 1.5-fold. New housing was built with a floor space exceeding the entire urban housing stock at the beginning of the sixties. More than 107 million workers have received better housing. At present about 80 percent of the urban population lives in separate apartments.

A most important social achievement is introduction of universal compulsory secondary education of young people. Opportunities for obtaining secondary specialized and higher education have been broadened. There is not a single sphere of social life in which the motto of our society "Everything in the Name of Man, Everything for the Benefit of Man" has not been clearly manifested.

The Soviet Union occupies one of the leading places in world trade, conducting trade operations with 142 countries. In 1981 foreign trade amounted to 110 billion rubles. The socialist states, above all the CEMA member countries, which in 1981 had a share of about 48 percent of foreign trade, occupy the principal place in the USSR's foreign economic relations. Cooperation with those countries has been developing dynamically on the basis of the principles of socialist internationalism and mutual benefit. Between 1970 and 1981 the volume of foreign trade with the CEMA member countries increased (in actual prices) more than fourfold.

The Soviet Union is making a sizable contribution to the fuel and raw materials supply of the CEMA member countries. In the 1976-1981 period large deliveries were made of products of Soviet machinebuilding and the chemical industry. Exports included 1.3 million automobiles, more than 6 million radios, 4.2 million cameras, about 30,000 combines, and 566,000 tons of synthetic resins.

The CEMA member countries in turn play a leading role in meeting the USSR's needs for imported machines and equipment, consumer goods, products of the food processing industry and raw materials for their production. Cooperation between the Soviet Union and the CEMA member countries is now developing successfully in the direction of socialist economic integration. Along with the traditional foreign trade relations, relations are expanding in such areas as joint construction of industrial projects, production specialization and industrial cooperation, and scientific-technical cooperation.

The experience in joint construction of projects yielded good results back in the sixties. It was then that the "friendship" petroleum pipeline was put on stream; it made it possible in the 1961-1970 period to increase petroleum deliveries from the USSR to the CEMA member countries more than fourfold. In the seventies, with adoption of the Coordinated Plan for Multilateral Integrative Measures of the CEMA Member Countries for the Period 1976-1980 (SPMIM), the projects built included the extremely large "Union" trunk gas pipeline, the Kiyembayevskiy Asbestos Mining and Milling Combine, the Ust'-Il'msk Pulp Mill, an enterprise for production of ferroalloys and ferri-ferrous raw materials, the 750-kv long-distance power transmission line between Vinnitsa (USSR) and Albertirsa (Hungary), and other projects with a total estimated cost of more than 9 billion transfer rubles. Joint construction of a number of fuel and power industry projects is envisaged in the SPMIM for the period 1981-1985.

Deliveries of products in accordance with agreements on production specialization and industrial cooperation are taking up an ever more sizable place in the foreign trade between the Soviet Union and the CEMA member countries. To be specific, the relative share of exports of specialized products of machinebuilding has reached 34 percent in deliveries of machines and equipment among the CEMA member countries.

The Soviet Union is successfully developing its production in the field of motor vehicle building, agricultural and power machinebuilding, and is a very large importer of specialized products from the fraternal countries, including instruments of various kinds, machine tools, and materials-handling equipment.

Production specialization and industrial cooperation are effectively linked to scientific-technical cooperation. This has been manifested with particular vividness in recent agreements on specialization and cooperation in the production of equipment for nuclear power stations, industrial robots and the products of microelectronics.

The Soviet people, rallied close around the Communist Party, are working selflessly to implement the decisions of the 26th CPSU Congress. Quite a bit has already been done along all the lines of the country's economic and social development. All of this convincingly demonstrates our determination to be firm and unswerving in following the Leninist path in the future.

The workers, kolkhoz members, intelligentsia, and all the working people of our multinational socialist homeland are providing a worthy celebration of the 60th Anniversary of Formation of the USSR. "At this time," Comrade Yu. V. Andropov, general secretary of the CPSU Central Committee, noted at the November (1982) Plenum of the CPSU Central Committee, "the Soviet people are turning their best thoughts to our Leninist party, which stood at the origins of creation of the USSR and has been wisely leading the peoples of our country along the road of the construction of communism."

Our country combines concern for socioeconomic development with the titanic struggle for peace throughout the world and for joy and happiness on the earth. That is why each of us representatives of the 270 million Soviet people receive with profound sentiment the words of the decree of the CPSU Central Committee entitled "On the 60th Anniversary of Formation of the Union of Soviet Socialist Republics," which notes that in celebrating the 60th Anniversary of Formation of the USSR the Soviet people is rightly proud of its achievements, of that historic revolutionary mission which our homeland is performing with honor as it marches in the first ranks of the fighters for peace, independence, freedom and happiness of nations.

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## INDUSTRIAL DEVELOPMENT AND PERFORMANCE

### DECREES ON CREATION, REORGANIZATION, ELIMINATION OF VARIOUS ORGANIZATIONS

Moscow SOBRANIYE POSTANOVLENIY PRAVITEL'STVA SOYUZA SOVETSKIKH  
SOTSIALISTICHESKIKH RESPUBLIK in Russian No 25, 1982 pp 467-480

/Article 130 of the USSR Council of Ministers on the System for Creating Reorganizing and Eliminating Enterprises, Associations, Organizations and Institutions and Article 131 of the CPSU Central Committee and the USSR Council of Ministers on the Recognition of Defunct Decrees of the CPSU Central Committee and the USSR Council of Ministers Concerning the Creation, Reorganization and Elimination of Enterprises, Association, Organizations and Institutions/

/Text/ Decree of the USSR Council of Ministers

Article 130 -- On the system for Creating, Reorganizing and Eliminating Enterprises, Associations, Organizations and Institutions.

In connection with publication of the USSR Code of Laws and in the interest of further improving that legislation which regulates the system for creating, reorganizing and eliminating enterprises, associations, organizations and institutions, the USSR Council of Minister resolves:

1. To approve the accompanying Statute on the System for Creating, Reorganizing and Eliminating Enterprises, Associations, Organizations and Institutions.
2. To recommend that cooperative and other public organizations carry out the creation, reorganization and elimination of enterprises, associations, organizations and institutions belonging to their system, while observing the requirements of the statute approved by the present decree.
3. That the USSR Ministry of Finances, the USSR Ministry of Justice, USSR Gosplan, USSR Gosbank and USSR TsSU /Central Statistical Administration/ are to develop and approve an instruction on the use of the statute approved by the present decree.
4. To approve the accompanying changes in decisions handed down by the USSR Government.

5. To recognize as defunct decisions handed down by the USSR Government in accordance with the attached list.

N. Tikhonov,  
Chairman of the USSR Council of Ministers

M. Smirnyukov,  
Administrator for USSR Council of Ministers

Moscow, the Kremlin, 2 September 1982, No. 816.

Approved by Decree of the USSR Council of  
Ministers, 2 September 1982, No. 816.

**Statute on the System for Creating, Reorganizing and Eliminating Enterprises,  
Associations, Organizations and Institutions**

1. The creation of enterprises, production, scientific-production, construction-installation and other similar types of associations (combines), organizations and institutions of union subordination is carried out by the ministries, state committees and departments of the USSR.

Decisions concerning the creation of the mentioned enterprises, associations, organizations and institutions are undertaken by the ministries, state committees and departments of the USSR following preliminary examination of these matters with the councils of ministers of the respective union republics.

2. The creation of enterprises, production, scientific-production, construction-installation and other similar types of associations (combines), organizations and institutions of republic and local subordination is carried out by the councils of ministers of union republics or in keeping with a system established by them. In the process, the decisions concerning the creation of enterprises, associations, organizations and institutions subordinate to union-republic ministries, state committees and departments of a union republic, for whom the plan indicators are established by the union republic ministries, state committees and departments of the USSR, must be coordinated with the appropriate ministry, state committee or department of the USSR.

Decisions on the creation of enterprises, associations, organizations and institutions of one union republic on the territory of another union republic are made on the basis of agreement being reached among the councils of ministers of the respective union republics.

3. The creation of enterprises, associations, organizations and institutions is carried out by the state organs within the limits of the financial and material resources, labor plans, budgetary appropriations and other established limits and norms assigned to them.

4. The creation of scientific-research, planning, design and technological organizations (including those belonging to production, scientific-production, construction-installation and other similar types of associations), depending

upon their subordination, is carried out by the ministries, state committees, departments of the USSR and the councils of ministers of the union republics with the permission of the USSR Council of Ministers. Presentations concerning the creation of the mentioned organizations are submitted to the USSR Council of Ministers by the USSR State Committee for Science and Engineering or USSR Gosstroy, based upon recommendations by the ministries, state committees and departments of the USSR and the union republic councils of ministers.

5. The creation of associations and other organizations which engage in foreign economic activities and which are not subordinate to the Ministry of Foreign Trade or the State Committee of the USSR for Foreign Economic Relations, reservations of union subordination and also higher educational institutions and film studios, regardless of their subordination, is carried out by the USSR Council of Ministers.

Recommendations for the creation of the mentioned organizations are submitted to the USSR Council of Ministers by the interested organs on the basis of agreement being reached between:

a) the associations and other organizations which engage in foreign economic activities -- with the Ministry of Foreign Trade or the State Committee of the USSR for Foreign Economic Relations and also with USSR Gosplan and the USSR Ministry of Finances;

b) the reservations -- with the council of ministers of the respective union republic, the USSR Ministry of Agriculture, the USSR Academy of Sciences, the USSR State Committee for Science and Engineering and USSR Gosplan and for those created on lands of the state forestry fund -- also with the USSR State Committee for Forestry;

c) the higher educational institutions -- with the USSR Ministry of Higher and Secondary Specialized Education, USSR Gosplan and the USSR Ministry of Finances;

d) film studios -- with the USSR Ministry of Culture and the USSR Ministry of Finances.

6. The creation in the city of Moscow and in Moscow Oblast of enterprises, associations, organizations and institutions (with the exception of those created for providing direct services for the population and for satisfying the requirements of housing construction and other requirements of the municipal economy and the oblast) is carried out with the permission of the USSR Council of Ministers. Recommendations for creating the mentioned enterprises, associations, organizations and institutions are submitted to the USSR Council of Ministers following preliminary coordination of these matters with the respective executive committee of the appropriate Moscow municipal or Moscow Oblast Soviet of People's Deputies.

Decisions on the creation in the city of Moscow and Moscow Oblast of enterprises, associations, organizations and institutions for providing direct services for the population and for satisfying the requirements for housing construction and other requirements of the municipal economy and oblast are

handed down by the ministries, state committees and departments by agreement with the executive committee respectively of the Moscow municipal or the Moscow Oblast Soviet of People's Deputies.

7. The creation of the following enterprises, associations, organizations and institutions is carried out on the basis of agreement being reached between:

a) associations, administrations, departments, markets, trusts, inspectorates, offices and other organizations having administrative functions and also construction organizations -- with the USSR Ministry of Finances;

b) supply and marketing organizations -- with USSR Gossnab and the USSR Ministry of Finances;

c) organs of scientific-technical information -- with the USSR State Committee for Science and Engineering and the USSR Ministry of Finances;

d) information-computer and machine-calculating stations -- with the USSR TsSU /Central Statistical Administration or the TsSU of a union republic -- computer (information-computer) centers -- with the USSR TsSU, USSR Gosplan and the USSR Ministry of Finances -- and computer centers of collective use or other computer (information-computer) centers, regardless of their departmental affiliation, in regions where computer centers of collective use are either operating or being created -- also with the USSR State Committee for Science and Engineering;

e) research organizations -- with USSR Gosstroy and USSR Gosplan;

f) administrations and departments of worker's supply -- with the USSR Ministry of Trade and the USSR Ministry of Finances;

g) secondary specialized educational institutes -- with the USSR Ministry of Higher and Secondary Specialized Education -- and sovkhos-technical schools or forestry technical schools -- in addition with the USSR Ministry of Agriculture, the USSR Ministry of the Fruit and Vegetable Industry, the USSR Ministry of the Fruit and Vegetable Industry or the USSR State Committee for Forestry;

h) branch and inter-branch institutes and course programs for improving skills -- with the USSR Ministry of Higher and Secondary Specialized Education and the USSR Ministry of Finances;

i) extracurricular institutes -- with the executive committees of the respective rayon (municipal) soviets of people's deputies and in the event of the creation of extracurricular institutes not called for in the approved nomenclature -- also with the USSR Ministry of Education and the USSR Ministry of Finances;

j) publishing houses and printing and stamping-engraving enterprises -- with the USSR State Committee for the Affairs of Publishing Houses, Printing and the Book Trade or with the respective state committee of a union republic -- and printing and stamping-engraving enterprises -- also with the organs of internal affairs;

- k) theatre and entertainment enterprises -- with the USSR Ministry of Culture;
- l) reservations of republic subordination -- with the USSR Ministry of Agriculture, the USSR State Committee for Science and Engineering and USSR Gosplan -- and those created on lands of the state forestry fund -- also with the USSR State Committee for Forestry.

The recommendations for creating enterprises, associations, organizations and institutions are submitted to the USSR Ministry of Finances by the ministries, state committees, USSR departments and the councils of ministers of union republics.

8. The creation of sanatorium and health resort institutions is carried out with the permission of the USSR Ministry of Health and the AUCCTU, by agreement with the councils of ministers of the respective union republics.

9. The creation of general educational boarding schools of an athletic profile, regardless of their subordination, is carried out on the basis of a joint decision by the USSR Ministry of Education and the Committee for Physical Culture and Sport of the USSR Council of Ministers, by agreement with the USSR Ministry of Finances and the council of ministers of the appropriate union republic.

10. The creation of branches, departments and other individual subunits of enterprises, associations, organizations and institutions is carried out in the manner established for the creation of enterprises, associations, organizations and institutions.

11. The regulations (statutes) of enterprises, associations, organizations and institutions are approved by their higher organs.

12. The reorganization of enterprises, associations, organizations and institutions is carried out in the manner established for the creation of the respective enterprises, associations, organizations and institutions.

13. The elimination of enterprises, associations, organizations and institutions is carried out by the same organs which created them. In the process, the decisions concerning the elimination of enterprises, associations, organizations and institutions subordinate to union-republic ministries, state committees and departments of a union republic, for whom the plan indicators were established by union-republic ministries, state committees and USSR departments, must be coordinated with the respective ministry, state committee or USSR department.

14. Information on the creation, reorganization and elimination of enterprises, associations, organizations and institutions is reported to the organs of state statistics.

Approved by Decree No. 816 of the USSR Council of Ministers, dated 2 September 1982.

#### Changes to Decisions Handed Down By USSR Government

1. The statement: "by agreement with the All-Union Soyuzsel'khoztekhnika Association" is to be stricken from Paragraph 2 of Point 12 of Decree No. 77

of the USSR VSNKh /Supreme Council of the National Economy/ dated 4 August 1964, entitled "Measures for Ensuring the Production and Complete Deliveries of Machines and Equipment for the All-Round Mechanization of Operations on Animal Husbandry Farms."

2. In the first paragraph of Point 7 of the statute concerning a socialist state production enterprise, approved by Decree No. 731 of the USSR Council of Ministers dated 4 October 1965 (USSR SP /Collection of Government Regulations and Decrees/, 1965, No 19-20, Article 155), the words "approved by the organ which handed down the decision concerning the formation of the enterprise" are to be replaced by the words "approved by a higher organ."

3. Point 20 of the General Statute on USSR ministries, approved by Decree No. 640 (USSR SP, 1967, No. 17, Article 116) of the USSR Council of Ministers dated 10 July 1967, should be worded as follows:

"20. A USSR ministry creates, reorganizes and eliminates enterprises, associations, organizations and institutions in the established manner."

4. Point 4 of the Statute on Higher Educational Institutes of the USSR, approved by Decree No. 64 (USSR SP, 1969, No. 4, Article 24) of the USSR Council of Ministers dated 22 January 1969, should be worded as follows:

"4. The creation, reorganization and elimination of higher educational institutes, regardless of their subordination, is carried out by the USSR Council of Ministers."

5. Paragraph two of Point 1 of Decree No. 808 of the USSR Council of Ministers dated 10 October 1969, entitled "The System for Improving the Skills of Cultural Workers" should be worded as follows:

"Institutes and course programs for improving the skills of cultural workers are organized based upon the conditions called for in the statute concerning the creation, reorganization and elimination of enterprises, associations, organizations and institutions, approved by Decree No. 816 of the USSR Council of Ministers dated 2 September 1982 and the periods of instruction at the mentioned institutes and for the course programs are to be established in conformity with Point 3 of Decree No. 515 of the USSR Council of Ministers dated 6 June 1967."

6. In Paragraph two of Point 1 of Decree No. 709 of the USSR Council of Ministers dated 1 September 1970, entitled "The System for Improving the Skills of Television and Radio Broadcasting Workers," the words "by way of and under the conditions called for in Decree No. 515 of the USSR Council of Ministers dated 6 June 1967 (taking into account Decree No. 623 of the USSR Council of Ministers dated 13 August 1968)" are to be replaced by the words: "under the conditions called for in the statute on the system for creating, reorganizing and eliminating enterprises, associations, organizations and institutions, approved by Decree No. 816 of the USSR Council of Ministers dated 2 September 1982."

7. The words "by agreement with Soyuzsel'khoztekhnika" should be stricken from Point 7 of Decree No. 444 of the USSR Council of Ministers dated 28 June 1971,

entitled "On Entrusting Soyuzsel'khoztekhnika Organizations With Carrying Out Start-Up and Adjustment Work on Equipment Installed at Production Installations of Kolkhozes and Sovkhozes and Providing Technical Servicing For This Equipment."

8. The words "USSR Gosplan" should be stricken from Paragraph two of Point 1 of Decree No. 1000 of the USSR Council of Ministers dated 10 December 1976, entitled "Measures for Improving the Skills of Leading Workers and Specialists in Professional-Technical Education" (USSR SP, 1977, No. 2, Article 10).

Approved by Decree No. 816 of the USSR Council of Ministers dated 2 September 1982.

List of Defunct Decisions Handed Down by the USSR Government.

1. Decree of the STO /Council of Labor and Defense (1920-1937) dated 23 June 1926, entitled "On Organizing Control Over Milling Work Throughout the Union" (Protocol No. 255, Point 6).
2. Decree of the STO dated 24 June 1927, entitled "State Retail Trade" (Protocol No. 332, Point 28).
3. Decree No. 230 of the STO dated 11 September 1930.
4. Decree No. 829 of the USSR Sovnarkom /Council of People's Commissars/ dated 11 April 1934, entitled "Reducing the Tables of Organization of People's Commissariats and the Central Institutes of the USSR and Their Local Organs" (USSR SZ /Collection of Laws of the USSR, 1934, No. 20, p 157/).
5. Decree No. 2623 of the USSR Sovnarkom dated 9 December 1935, entitled "The System for Opening and Registering Branches and Delegations of Economic Organizations and Enterprises" (USSR SZ, 1935, No. 64, p 518).
6. Decree No. 1255 of the Ekonomsovet of the USSR SNK /Council of People's Commissars/ dated 3 November 1939, entitled "The Elimination in the City of Pavlov in Gorkiy Oblast of Offices and Agencies for the Procurement of Pavlov Metal Products."
7. Sub-point "D" of Point 12 of Decree No. 112 of the USSR Sovnarkom dated 4 February 1944, entitled "Measures for Improving Cinema Entertainment for the Population."
8. Point 2 of Decree No. 2394 of the USSR Sovnarkom dated 20 September 1945, entitled "Children's Homes At Industrial Enterprises."
9. Order No. 7539 of the USSR Council of Ministers dated 12 June 1946.
10. Decree No. 1751 of the USSR Council of Ministers dated 13 August 1946, entitled "Prohibition Against Expanding the Staffs of the Administrative Apparatus of Soviet, State, Economic, Cooperative and Public Organizations," in the section forbidding the creation of new organizations and institutions.

11. Point 3 of Decree No. 887 of the USSR Council of Ministers dated 7 April 1947, entitled "Standard Tables of Organization for Zooveterinary Institutions of the USSR Ministry of Agriculture."
12. Point 2 of Decree No. 2600 of the USSR Council of Ministers dated 21 July 1947, entitled "Standard Tables of Organization for Operational-Production Sectors of Sel'elektro /Main Administration of Rural Electrification/ organizations of the USSR Ministry of Agriculture."
13. Point 3 of Decree No. 3424 of the USSR Council of Ministers dated 29 September 1947, entitled "Standard Tables of Organization for Bathhouses and Laundries of Local Soviets of Worker's Deputies and Official Norms for the Barber Shops of State, Public and Cooperative Organizations."
14. Decree No. 3558 of the USSR Council of Ministers dated 11 October 1947, entitled "Tables of Organization and Official Salaries of Administrative-Teaching and Service Personnel of Boarding Houses at Elementary, 7-Year and Secondary Schools."
15. Points 1 and 2 of Decree No. 2408 of the USSR Council of Ministers dated 3 July 1948, entitled "System for the Opening of Elementary, 7-Year and Secondary Schools."
16. Order No. 11853 of the USSR Council of Ministers dated 30 July 1949.
17. Paragraph two of Point 1 of Decree No. 3408 of the USSR Council of Ministers dated 9 August 1949, entitled "Standard Tables of Organization for Administrative and Operating Personnel of Maternity Homes With Maternity Consultations At Them."
18. Paragraph two of Point 1 of Decree No. 3409 of the USSR Council of Ministers dated 9 August 1949, entitled "Standard Tables of Organization for Administrative and Operating Personnel of Permanent Children's Nurseries in Cities and Rural Areas."
19. Point 1 of Order No. 21963 of the USSR Council of Ministers dated 17 November 1951.
20. First paragraph of Point 2 of Decree No. 4438 of the USSR Council of Ministers dated 13 October 1952, entitled "Standard Tables of Organization for Teahouses, Cafes and Snack-Bars of the USSR Ministry of Trade."
21. Point 5 of Decree 4546 of the USSR Council of Ministers dated 23 October 1952, entitled "Standard Tables of Organization for Interrayon and Rayon Offices, Procurement Points and Stores of Soyuzsortsemovoshch /All-Union Office for the Production, Procurement and Sale of High Quality Seed for Vegetables, Melons and Food Roots/ of the USSR Ministry of Agriculture."
22. Point 5 of Decree No. 4971 of the USSR Council of Ministers dated 24 November 1952, entitled "Standard Tables of Organization and Official Salaries for Workers of Republic, Kray and Oblast Trusts (Offices) of Incubator Poultry-Raising Stations and Standard Tables of Organization for Incubator Poultry-Raising Stations of the USSR Ministry of Agriculture."

23. Point 4 of Decree No. 260 of the USSR Council of Ministers dated 29 January 1953, entitled "Standard Tables of Organization and Official Salaries for Workers at Rayon, Interrayon and Municipal (Oblast and Kray Subordination) Procurement Offices of Glavvtorsyr'ye /Main Administration for the Procurement, Processing and Processing of Secondary Raw Materials/ of the USSR Ministry of the Light Industry."
24. Point 5 of Decree No. 716 of the USSR Council of Ministers dated 6 March 1953, entitled "Standard Tables of Organization for Administrative and Operating Personnel of Fruit and Berry Nurseries Within the USSR Ministry of Agriculture."
25. Point 10 of Decree No. 1002 of the USSR Council of Ministers dated 11 April 1953, entitled "Expanding the Rights of USSR Ministers."
26. Order No. 8961 of the USSR Council of Ministers dated 8 July 1953 in that portion of the right specified in Point 10 of Decree No. 1002 of the USSR Council of Ministers dated 11 April 1953.
27. Order No. 10493 of the USSR Council of Ministers dated 11 August 1953, in that portion of the right specified in Point 10 of Decree No. 1002 of the USSR Council of Ministers dated 11 April 1953.
28. First paragraph of Point 8 of Decree No. 2149 of the USSR Council of Ministers dated 13 August 1953, entitled "Measures for Further Improving the Work of Schools for Working Youth."
29. Order No. 11052 of the USSR Council of Ministers dated 21 August 1953, in that portion of the right specified in Point 10 of Decree No. 1002 of the USSR Council of Ministers dated 11 April 1953.
30. Order No. 12188 of the USSR Council of Ministers dated 14 September 1953, in that portion of the right specified in Point 10 of Decree No. 1002 of the USSR Council of Ministers dated 11 April 1953.
31. Order No. 12979 of the USSR Council of Ministers dated 30 September 1953, in that portion of the right specified in Point 10 of Decree No. 1002 of the USSR Council of Ministers dated 11 April 1953.
32. Point 2 of Decree No. 2865 of the USSR Council of Ministers dated 30 November 1953, entitled "Standard Tables of Organization and Official Salaries for Administrative and Service Personnel At Children's Musical 7-Year Schools of the USSR Ministry of Culture."
33. Point 3 of Decree No. 319 of the USSR Council of Ministers dated 22 February 1954, entitled "The Structure and Tables of Organization for the Central Apparatus of the Administration of Gosbank," in that portion of the right specified in Point 10 of Decree No. 1002 of the USSR Council of Ministers dated 11 April 1953.
34. Point 6 of Decree No. 387 of the USSR Council of Ministers dated 8 March 1954, entitled "Questions Concerned With the Main Administration for Protecting

Military and State Secrets in the Press of the USSR Council of Ministers," in that portion of the right specified in Point 10 of Decree No. 1002 of the USSR Council of Ministers dated 11 April 1953.

35. Point 13 of Decree No. 481 of the USSR Council of Ministers dated 19 March 1954, entitled "Problems Concerned With the Organization of the Committee for Physical Culture and Sport of the USSR Council of Ministers," in that portion of the right specified in Point 10 of Decree No. 1002 of the USSR Council of Ministers dated 11 April 1953.

36. Point 11 of Decree No. 516 of the USSR Council of Ministers dated 26 March 1954, entitled "Questions Concerned With the Organization of the Main Administration for Labor Reserves of the USSR Council of Ministers," in that portion of the right specified in Point 10 of Decree No. 1002 of the USSR Council of Ministers dated 11 April 1953.

37. Point 17 of Decree No. 786 of the USSR Council of Ministers dated 26 April 1954, entitled "Creating a Main Administration for Housing and Civil Construction in the City of Moscow Attached To the Mosgorispolkom /Moscow Municipal Executive Committee/," in that portion of the right specified in Point 10 of Decree No. 1002 of the USSR Council of Ministers dated 11 April 1953.

38. Order No. 7140 of the USSR Council of Ministers dated 2 July 1954.

39. Sub-point "B" of Point 5 of Order No. 7141 of the USSR Council of Ministers dated 2 July 1954.

40. Point 1 of Order No. 8296 of the USSR Council of Ministers dated 30 July 1954, in that portion of the right specified in Point 10 of Decree No. 1002 of the USSR Council of Ministers dated 11 April 1953.

41. Order No. 8323 of the USSR Council of Ministers dated 31 July 1954.

42. Point 8 of Decree No. 2129 of the USSR Council of Ministers dated 13 October 1954, entitled "Questions on the Organization of the Committee of Standards, Measures and Measurement Instruments of the USSR Council of Ministers," in that portion of the right specified in Point 10 of Decree No. 1002 of the USSR Council of Ministers dated 11 April 1953.

43. Sub-point "D" of Point 6 of Decree No. 11674 of the USSR Council of Ministers dated 21 October 1954.

44. Sub-point "Ж" of Point 1 of Order No. 508 of the USSR Council of Ministers dated 28 January 1955.

45. Point 1 of Decree No. 808 of the USSR Council of Ministers dated 26 April 1955, entitled "Transferring Decisions Regarding Certain Current Problems To the USSR Ministry of Agriculture," in connection with the formation, reorganization and elimination of sovkhoses, subsidiary farms, enterprises and other organizations of union subordination.

46. Point 9 of Decree No. 810 of the USSR Council of Ministers dated 26 April 1955, entitled "Transferring Decisions Concerning Certain Current Problems Over To the USSR Ministry of Trade."
47. Point 56 of the Supplement "Questions Transferred Over To the Union Republic Councils of Ministers for Decisions" and Point 5 of the Supplement "Questions Transferred Over to the Union Republic Ministers" to Decree No. 861 of the USSR Council of Ministers dated 4 May 1955, entitled "A Change in the System of State Planning and Financing for the Economies of Union Republics" and also Point 57 of the Supplement "Questions Transferred Over To the Union Republic Councils of Ministers for Decisions," in connection with the organization, reorganization and elimination of individual sovkhozes of republic subordination and machine-tractor and specialized stations.
48. Point 5 of Decree No. 863 of the USSR Council of Ministers dated 4 May 1955, entitled "Some Additional Rights of USSR Ministers."
49. Order No. 6345 of the USSR Council of Ministers dated 30 August 1955, in connection with the rights specified in Point 5 of Decree No. 863 of the USSR Council of Ministers dated 4 May 1955.
50. Point 10 of Decree No. 750 of the USSR Council of Ministers dated 4 June 1956, entitled "Transferring Glavvoyentorg /Main Administration of Trade Establishments for Military Personnel/ from the Ministry of Trade for the USSR to the USSR Ministry of Defense," in connection with the rights specified in Point 9 of Decree No. 810 of the USSR Council of Ministers dated 26 April 1955.
51. Point 23 of Decree No. 461 of the USSR Council of Ministers dated 25 April 1957, entitled "Measures for Improving the Administrative Organization for Construction in Moscow Oblast," in connection with the rights specified in Point 10 of Decree No. 1002 of the USSR Council of Ministers dated 11 April 1953 and Point 5 of Decree No. 863 of the USSR Council of Ministers dated 4 May 1955.
52. Point 1 of Decree No. 462 of the USSR Council of Ministers dated 25 April 1957, entitled "Expanding the Rights of the Chief of Glavleningradstroy /Main Administration for the Housing, Civil Engineering and Industrial Construction of the Leningrad Municipal Executive Committee/ of Leningradspolkom /Executive Committee of the Leningrad City Soviet of Worker's Deputies/," in connection with the rights specified in Point 10 of Decree No. 1002 of the USSR Council of Ministers dated 11 April 1953 and Point 5 of Decree No. 863 of the USSR Council of Ministers dated 4 May 1955.
53. Order No. 1683 of the USSR Council of Ministers dated 27 June 1957, in connection with the rights specified in Point 10 of Decree No. 1002 of the USSR Council of Ministers dated 11 April 1953.
54. Point 36 of Decree No. 1041 of the USSR Council of Ministers dated 29 August 1957, entitled "Additional Transfer of Certain Problems Concerned With Economic and Cultural Construction for Decisions By the Union Republic Councils of Ministers" (USSR SP, 1957, No. 10 p 105).

55. Point 4 of Decree No. 1076 of the USSR Council of Ministers dated 6 September 1957, entitled "Approval of Statute on State Committee for Radio Broadcasting and Television of the USSR Council of Ministers" (USSR SP, 1957, No. 11, p 113), in connection with the rights specified in Point 10 of Decree No. 1002 of the USSR Council of Ministers dated 11 April 1953.
56. Point 1 of Order No. 3529 of the USSR Council of Ministers dated 26 November 1957, in connection with the rights specified in Point 10 of Decree No. 1002 of the USSR Council of Ministers dated 11 April 1953.
57. Point 4 of Decree No. 114 of the USSR Council of Ministers dated 28 January 1958, entitled "Approval of Statute on State Committee for Foreign Economic Relations of the USSR Council of Ministers," in connection with the rights specified in Point 10 of Decree No. 1002 of the USSR Council of Ministers dated 11 April 1953.
58. Point 1 of Order No. 3140 of the USSR Council of Ministers dated 23 September 1958, in connection with the rights specified in Point 10 of Decree No. 1002 of the USSR Council of Ministers dated 11 April 1953 and Point 5 of Decree No. 863 of the USSR Council of Ministers dated 4 May 1955.
59. Paragraph two of Point 1 of Decree No. 1425 of the USSR Council of Ministers dated 30 December 1959, entitled "Organization of Plant-Higher Technical Schools and Also Industrial Enterprises and Departments At Higher Educational Institutes" (USSR SP, 1960, No. 1, p 3).
60. Point 4 of Decree No. 43 of the USSR Council of Ministers dated 18 January 1960, entitled "Development of City of Vladivostok," in connection with the rights specified in Point 10 of Decree No. 1002 of the USSR Council of Ministers dated 11 April 1953 and Point 5 of Decree No. 863 of the USSR Council of Ministers dated 4 May 1955.
61. Order No. 841 of the USSR Council of Ministers dated 22 March 1960, in connection with the rights specified in Point 5 of Decree No. 863 of the USSR Council of Ministers dated 4 May 1955.
62. Point 4 of Decree No. 769 of the USSR Council of Ministers dated 6 October 1960, entitled "Problems of Main Archives Administration of USSR Council of Ministers," in connection with the rights specified in Point 10 of Decree No. 1002 of the USSR Council of Ministers dated 11 April 1953.
63. Point 8 of Decree No. 296 of the USSR Council of Ministers dated 7 April 1961, entitled "On Organizing the Work of the All-Union Soyuzsel'khoztekhnika Association (USSR SP, 1961, No. 7, p 55), in connection with the rights specified in Point 10 of Decree No. 1002 of the USSR Council of Ministers dated 11 April 1953.
64. Point 7 of Decree No. 521 of the USSR Council of Ministers dated 10 June 1961, entitled "Regulating the Network of State Reservations and Hunting Farms" (USSR SP, 1961, No. 10, p 82).
65. Point 5 of Decree No. 777 of the USSR Council of Ministers dated 19 July 1962, entitled "Measures for Regulating Planning and Organization for the

Production of Movie Films, Financing Film Studios and Issuing Entertainment Awards To Creative Cinema Workers."

66. Paragraph two of Point 1 of Decree No. 486 of the USSR Council of Ministers dated 23 June 1964, entitled "Organizing Sovkhoz-Technical Schools" (USSR SP, 1964, No. 12, p 78).

67. Decree No. 936 of the USSR Council of Ministers dated 16 November 1964, entitled "Rights of Leaders of State Committees, Ministries and USSR Departments in the Creation, Reorganization and Elimination of Enterprises and Economic Organizations" (USSR SP, 1964, No. 25 p 145).

68. Order No. 536 of the USSR Council of Ministers dated 17 March 1966, in connection with the right specified in Point 10 of Decree No. 1002 of the USSR Council of Ministers dated 11 April 1953.

69. Order No. 819 of the USSR Council of Ministers dated 19 April 1966, in connection with the right specified in Point 10 of Decree No. 1002 of the USSR Council of Ministers dated 11 April 1953.

70. Point 1 of Decree No. 652 of the USSR Council of Ministers dated 16 August 1966, entitled "Rights of the Chairman of the State Committee for Material-Technical Supply of the USSR Council of Ministers, the Chiefs of the Main Administrations of This Committee and Also the Chiefs of the Administrations for Material-Technical Supply in the Union Republics" (USSR SP, 1966, No. 18, p 163), in connection with the right specified in Point 10 of Decree No. 1002 of the USSR Council of Ministers dated 11 April 1953 and also Point 2 of this decree in connection with the rights specified in Point 5 of the Supplement "Problems Transferred Over to the Union Republic Ministers for Decisions" to Decree No. 861 of the USSR Council of Ministers dated 4 May 1955.

71. Point 2 of Decree No. 916 of the USSR Council of Ministers dated 29 November 1966, entitled "The All-State System for Scientific-Technical Information" (USSR SP, 1966, No. 25, p 220).

72. Decree No. 962 of the USSR Council of Ministers dated 22 December 1966, entitled "Rights of the Chief of the Main Administration of the Microbiological Industry of the USSR Council of Ministers and the Chiefs of the Administrations of This Main Administration" (USSR SP, 1967, No. 1, Article 2), in connection with the right specified in Point 10 of Decree No. 1002 of the USSR Council of Ministers dated 11 April 1953.

73. Point 7 of Decree No. 260-101 of the USSR Council of Ministers dated 30 March 1967, in particular the right specified in Point 10 of Decree No. 1002 of the USSR Council of Ministers dated 11 April 1953.

74. Paragraphs 7 and 9 of Point 2 of Decree No. 515 of the USSR Council of Ministers dated 6 June 1967, entitled "Improvements in System for Raising Skills of Leading Workers and Specialists in Industry, Construction, Transport, Communications and Trade" (USSR SP, 1967, No. 14, Article 95).

75. Point 6 of Decree No. 754 of the USSR Council of Ministers dated 8 August 1967, entitled "Structure of the Central Apparatus of the Main Administration for Geodesy and Cartography of the USSR Council of Ministers," in connection with the right specified in Point 10 of Decree No. 1002 of the USSR Council of Ministers dated 11 April 1953.

76. Order No. 662 of the USSR Council of Ministers dated 1 April 1968, in connection with the right specified in Point 10 of Decree No. 1002 of the USSR Council of Ministers dated 11 April 1953.

77. Point 17 of Decree No. 309 of the USSR Council of Ministers dated 28 April 1969, entitled "Measures for Further Improving Material-Technical Supply for the National Economy" (USSR SP, 1969, No. 12 Article 66).

78. Paragraph three of Point 3 of Decree No. 234 of the USSR Council of Ministers dated 6 April 1970, entitled "Further Improvements in Planning, Economic Stimulation and Administration at Glavmosavtotrans /Main Administration of Automobile Transportation of the Mosgorispolkom/" (USSR SP, 1970, No. 7, Article 55).

79. Paragraph three of Point 3 of Decree No. 459 of the USSR Council of Ministers dated 2 July 1971, entitled "Measures for Further Improving the Organization of Accounting and Reporting in the National Economy" (USSR SP, 1971, No. 13, Article 94).

80. Point 2 of Decree No. 767 of the USSR Council of Ministers dated 3 September 1975, entitled "Nomenclature and System for Creating Non-Curricular Institutions" (USSR SP, 1975, No. 19, Article 125).

81. Point 7 of Decree No. 98 of the USSR Council of Ministers dated 2 February 1976, entitled "Measures for Scientific and Material-Technical Support for Preparing Soviet Sportsmen for the 1980 Olympic Games," in connection with the closing of existing general educational boarding schools of an athletic profile and also the opening of new ones.

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Decree of the CPSU Central Committee and the USSR Council of Ministers

Article 131 -- Defunct decrees of the CPSU Central Committee and the USSR Council of Ministers in matters concerned with the creation, reorganization and elimination of enterprises, associations, organizations and institutions.

In connection with the implementation of measures for improving legislation concerned with the creation, reorganization and elimination of enterprises, associations, organizations and institutions, the CPSU Central Committee and the USSR Council of Ministers resolve:

To recognize as defunct the decrees of the CPSU Central Committee and the USSR Council of Ministers in accordance with the attached list.

L. Brezhnev,  
Secretary of the CPSU  
Central Committee

N. Tikhonov,  
Chairman of the USSR  
Council of Ministers

Moscow, the Kremlin, 7 September 1982, No. 828

Approved by Decree No. 828 of the  
CSPU Central Committee and the USSR  
Council of Ministers dated 7  
September 1982.

**List of Defunct Decrees of the CPSU Central Committee and the USSR Council of Ministers.**

1. Paragraph two of Point 1 of Decree No. 182 of the CPSU Central Committee and the USSR Council of Ministers dated 15 February 1960, entitled "On Organizing Schools Having An Extended Day" (USSR SP, 1960, No. 6, Article 32).
2. Point 13 of Decree No. 299 of the CPSU Central Committee and the USSR Council of Ministers dated 3 April 1961, entitled "Measures for Improving the Coordination of Scientific-Research Work Throughout the Country and the Activities of the USSR Academy of Sciences" (USSR SP, 1961, No. 7, Article 50).
3. Point 6 of Decree No. 160 of the CPSU Central Committee and the USSR Council of Ministers dated 7 February 1963, entitled "On the Formation of the Main Central Asian Administration for Irrigation and Sovkhoz Construction and the Organization of Its Work."
4. Paragraph two of Point 1 of Decree No. 187 of the CPSU Central Committee and the USSR Council of Ministers dated 6 March 1966, entitled "Improving the Organization of Work Concerned With the Creation and Introduction Into the National Economy of Computer Equipment and Automatic Control Systems," in connection with the creation of branch and departmental computer centers.
5. Paragraph three of Point 18 of Decree No. 729 of the CPSU Central Committee and the USSR Council of Ministers dated 3 September 1966, entitled "Measures for Improving the Training of Specialists and Perfecting the Management of Higher and Secondary Specialized Education Throughout the Country" (USSR SP, 1966, No. 20, Article 176).

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CSO: 1820/106

## INDUSTRIAL DEVELOPMENT AND PERFORMANCE

### AUDITING, ANALYZING PRIME PRODUCTION COST WHILE IMPROVING ECONOMIC MANAGEMENT

Moscow FINANSY SSSR in Russian No 3, Mar 83 pp 56-63

[Article by I. A. Belobzhetskiy, doctor of economic sciences: "Accounting Audit and Analysis of Production Cost Under Conditions of Improvement of the Economic Mechanism"]

[Text] Intensification of the economy and its increased efficiency are most comprehensively reflected in the indicator of the reduction of production costs. The decisions of the 26th party congress envision a significant increase in the role of this indicator in evaluating the activity and stimulating the collectives of enterprises and associations. According to the decree of the CPSU Central Committee and the USSR Council of Ministers of 30 June 1981, "On Stepping Up Work for Economizing and Efficiently Utilizing Raw Material, Fuel-Energy and Other Material Resources," beginning in 1983 enterprises and production associations (PO) will establish assignments for production costs which include limits (extreme levels) on material expenditures in their five-year and annual plans with a distribution among the various quarters and, if necessary, among the various months.

The current stage of the improvement of the economic mechanism requires raising the level and the effectiveness of control over financial and economic agencies for economic justification and reliability of the information of indicators of production cost in plans, bookkeeping and accountability of PO's and enterprises. During audits, analysis of current and annual accounts and inspections it is necessary to reveal any deviations of the planned production cost and limit material expenditures, and analyze more deeply the causes of change in production cost, singling out from total savings from reducing it the part that is obtained because of factors that do not depend on the enterprise and are not taken into account when evaluating the final results of its activity and forming incentive funds.

One should distinguish four main stages of control: checking on the correctness and promptness of including production outlays in the accounts of production expenditures and distributing them among commercial products and incomplete production; an overall evaluation of the fulfillment of assignments in terms of production cost and limits of material expenditures; analysis of the factors that affect the level of these indicators; disclosure and summary calculation of intra-economic reserves for reducing production costs and the material-intensiveness of products.

The sources of information for audits and analysis are: current reports of the PO's and enterprises concerning the fulfillment of the plan for the production cost of commercial products are form No 1-s, approved by the USSR Central Statistical Administration on 4 August 1982, and the quarterly appendix to it; the annual report concerning expenditures on production (form No 5), the production cost of commercial products (form No 6), expenditures on service for production and control (form No 7), expenditures on maintaining the administrative staff (form No 14); information on the profitability of individual items (appendix to form No 6); calculations of the production cost of the most important kinds of products; the passport of the production association (enterprise) standard form No 7.1; bookkeeping registers; order journals No 10, 10/1, auxiliary information for them Nos 10, 12, 14 and 15 or tabulation tables; analytical groupings of expenditures on production for various kinds (groups) of products, shops and production units, and also primary documentation (selective); tables of the technical and industrial financial plan "Production Cost of Commercial Products According to Calculation Items" and "Estimate of Expenditures on Production."

The reporting of production cost that was introduced in 1983 contains a larger group of indicators than previously, which make it possible to give a differentiated and comprehensive evaluation of the fulfillment of the plan in terms of production cost, depending on the branch's specific production features--the composition of the products that are produced, the degree of their updating and the products list. In the majority of branches of industry the assignments for production cost are established for the enterprises and PO's in the form of the maximum level of expenditures per ruble of commercial output (in wholesale prices of the enterprises), including material expenditures. Taking the peculiarities of production into account, the enterprises can also be given other assignments: in terms of the production cost of a unit of output or in terms of the reduction of the production cost of comparable commercial products in percentages of the preceding year.

But, regardless of the indicator adopted for planning and evaluating the operation of the enterprise, the audit should begin with a consideration of the report data in sections I and II of the quarterly appendix to form No 1-s concerning the actual production cost of commercial products that are produced in terms of the calculation items and expenditures on the production in terms of economic elements during the period since the beginning of the year. The purpose of this stage of control is to establish whether or not all production outlays and circulation expenditures involved with the production and sales activity of the report period have been entered. Here one uses traditional devices of control presented in the instructions of the USSR Ministry of Finance concerning methods of auditing bookkeeping accounts and balances. At the same time it is necessary to devote special attention to changes in the formation of production expenditures because of measures conducted in recent years to improve the mechanism of price setting and calculation of the production cost.

The introduction of the khozraschet of organizing work for the creation, assimilation and introduction of new technical equipment requires careful inspection of the correctness of the reimbursement from the unified fund for the development of science and technology (YeFRNT), formed with deductions

from profit, for increased expenditures during the first years of series or mass production of new and modernized kinds of products. The proportion of these expenditures is determined as the difference between the planned production cost envisioned in the technical and industrial financial plan for the first year (and in special cases, with the permission of the ministry, also the second and third year) of series and mass output of new items and their lower planned production cost which is adopted when establishing permanent wholesale prices. The substantiation of the calculation of this difference can be checked on the basis of accounting entries in the order journal No 10/1 or in the printout that replaces it for credit account No 20 "Basic Production" in correspondence with debit account No 87 "Funds for Economic Incentives and Special Purposes" (subaccount "Unified Fund for the Development of Science and Technology").

As inspections conducted by financial agencies showed, certain enterprises during individual months or quarters of the year, especially during periods of underfulfillment of the plans for production cost and profit, have exaggerated the proportion of expenditures covered from the YeFRNT, at the same time reducing report indicators for the production cost and increasing the balance profit. As a result there were excessive payments of bonuses. This means that the audit cannot be reduced only to the total (from the beginning of the year) calculation of funds subject to reimbursement from the YeFRNT. It is also expedient to look at the monthly calculations. This is exceptionally important since in the report on form No 1-s the actual production cost is shown minus the proportion of production expenditures that are reimbursed from the YeFRNT.

In order to compensate more completely for state expenditures on the reproduction of natural resources, under the 11th Five-Year Plan the structure of the production cost for the extraction industry includes an essential increase in the proportion of deductions for geological prospecting work, and for timber procurement enterprises--the proportion of payments into the budget by the stump. More efficient utilization of water resources will be promoted by including in the production cost and the limit on material expenditures payment for water collected by enterprises from water management systems. During the course of the audit it is necessary to clarify whether or not the aforementioned expenditures have been taken into account when determining the overall amount of the material expenditures under the element "Raw Materials and Basic Processed Materials," and payments for water--depending on the nature of its use--also partially under the element "Auxiliary Materials." This can be established from data of accounting registers for element-by-element distribution of expenditures on production (order journal No 10 or printouts that replace it) and primary documents concerning payments for the utilization of natural resources. According to the instructions of the USSR Ministry of Finance, the calculation of payments for water is reflected in the debit of accounts of production expenditures in correspondence with account No 73, "Accounts with the Budget," regardless of whether the industrial enterprise receives the water directly from water management systems or is supplied with it through municipal services organizations or other industrial enterprises.

The sanctions for exceeding the limit of electric power and overexpenditure of the monthly plan for the consumption of thermal energy during the autumn and winter period, which were introduced by decisions of the government, contribute to strengthening conditions for economizing. It is important to check to make sure whether or not the accounts and reports of enterprises and PO's correctly reflect the sums paid to energy systems in excess of the basic rates (tariffs) for the overexpenditure of energy. In practice there are frequent cases of unjustifiably writing them off in account No 99 "Profit and Losses" under the article "Fines, Penalties and Forfeits That Have Been Paid." This involves a reduction of the report indicators of the production cost since, according to the established policy, such nonproduction expenditures are included in the production cost of products (in account No 6 "General Plant Expenditures").

The changeover in 1983 to a new policy of developing plans in terms of production cost and evaluating their fulfillment\* gives a special role to the control of financial agencies over the element-by-element structure of expenditures on production. When determining the planned and actual levels of material expenditures per ruble of commercial output and also the absolute amount of savings (overexpenditure) on these expenditures as compared to the established limits, one can no longer be limited only to an analysis of expenditures in direct calculation items: raw and processed materials (minus salvagable wastes); purchased items, semimanufactured products and services of a production nature; fuel and energy for technological purposes. These items do not embrace the entire totality of material expenditures since a considerable part of them are reflected in comprehensive articles of calculation: expenditures on preparation for and assimilation of production; expenditures on maintenance and operation of equipment; shop and general plant expenditures, and so forth. When controlling the observance by the enterprises of the limit of material expenditures, it is necessary to proceed from the element-by-element composition of the production cost of commercial products, including all of the expenditures of material and fuel-energy resources according to the various elements: raw material and basic processed materials minus wastes; purchased items, semimanufactured products, work and services of a production nature; auxiliary materials; fuel; energy.

The difficulty, however, lies in the fact that the annual (form No 5) and quarterly (section II of the appendix to form No 1-s) reports, like the book-keeping register (table "Calculation of Expenditures on Production For Various Economic Elements" of order journal No 10 or the printout of the same name) contain generalized information about the element-by-element expenditures which form the production cost of the gross (and not commercial) output, with the addition of expenditures in account No 31 "Expenditures for Future Periods," number 89 "Reserve of Forthcoming Expenditures and Payments" and the various nonproduction accounts (including expenditures reimbursed from the YeFRNT).

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\*See Instructions of the USSR Gosplan, Ministry of Finance and Central Statistical Administration of 30 June 1982, No AB-30-D, published in EKONOMICHESKAYA GAZETA, No 33, August 1982, pp 17-18.

Consequently, in order to determine the production cost of the commercial products that are produced as a whole and for the various elements of material expenditures, it is necessary to exclude from the overall sum of production expenditures under the various elements those expenditures that are financed from the YeFRNT, expenditures on work and services of a nonproduction nature, losses for which individual people or suppliers are to blame, and other write offs for production accounts. Moreover, one subtracts the increase or adds the loss (as compared to data at the beginning of the year) of residuals of incomplete production, semimanufactured products, instruments and fittings that are internally produced, and also residuals under account No 31 "Expenditures of Future Periods." At the same time one adds the increase and subtracts the sum of reduction of residuals under the account "Reserve of Forthcoming Expenditures and Payments."

Auditing devices for report figures concerning actual material expenditures for commercial products that are produced are illustrated in Table 1 using the example of a machine building plant (conventional figures).

The indicators presented in point 1 of the table are calculated, as a rule, without including interplant circulation, that is, minus the cost of semimanufactured products and internally produced items that are used for their own industrial and production needs. But enterprises and PO's of certain branches of industry, with the existing system of planning and accounting, include in the planned and actual amount of material expenditures the value of semimanufactured products and items that are transferred to their own shops or production units for further processing at established wholesale prices, and not at the production cost. Thus the material expenditures for the production of commercial products include the cost of internally produced semimanufactured products and items that are consumed within the enterprise or PO: at textile enterprises--yarn and gray cloth for manufacturing fabrics and individual items; at meat combines--meat, subproducts, fats and other products of the slaughtering and butcher shops for processing sausage items and canned meats; at sugar refineries--granulated sugar for manufacturing refined sugar, and so forth.

A detailed analysis is required for the indicators of point 2 (subpoints a, b, c, d) of the table concerning adjustments made to the overall sum of material expenditures on production because of operations and circulation of a noncommercial nature. Initially it is necessary to clarify whether the branch instructions issued by the ministry (department) envision direct accounting for the element-by-element composition of production expenditures, expenditures included in nonproduction accounts and counted as residuals of incomplete production, expenditures for future periods and the reserve of forthcoming expenditures and payments. When this kind of accounting is not available one determines the proportion of material expenditures on the basis of each element in the estimates of the corresponding kinds of expenditures. In individual branches of the ministry one can use another methodology recommended by the ministry which provides for a reliable distribution of expenditures among the various elements and the calendar periods, taking into account the specific features of production.

Table 1.

| Indicators   | Sources of Information  | Total since beginning of year, thousands of rubles |
|--|---|--|
| 1. Expenditures on production in various elements; raw and basic materials minus wastes; purchased items, semimanufactured products, work and services of a production nature; auxiliary materials; fuel; energy (not including intraplant turnover) | Quarterly appendix to Form No 1-s, lines 290, 300, 310, 320, 330, 340; Table "Calculation of Expenditures of Production for Various Economic Elements" of order journal No 10 or printout that replaces it. | 42,967   |
| 2. From the overall sum of expenditures (point 1) one excludes (adds):   |   |  |
| a) Material expenditures covered by nonproduction accounts (including those reimbursed from the YeFRNT)  | Quarterly appendix to Form No 1-s, line 440; order journal No 10/1 or printout that replaces it.  | 160  |
| b) Increase (+) or reduction (-) of the residual from the account "Expenditures for Future Periods" involving material expenditures  | Quarterly appendix to Form No 1-s, line 460; journal No 15 of bookkeeping order journal form or printout for account No 31.   | -2   |
| c) Increase (+) or reduction (-) of the residual from the account "Reserve of Forthcoming Expenditures and Payments" involving material expenditures.  | Quarterly appendix to Form No 1-s, line 480; journal No 15 of bookkeeping order journal form or printout for account No 89.   | -8   |
| d) Increase (+) or reduction (-) of residual of incomplete production and semimanufactured products that are internally produced involving material expenditures.  | Quarterly appendix to Form No 1-s, line 500; order journal No 10 or printout for accounts Nos 20, 21 and 23.  | +156   |
| 3. Material expenditures included in production cost of commercial output  | Quarterly appendix to Form No 1-s, line 530 (42,967 - 160 + 2 - 8 - 156)  | 42,645   |

Control by financial agencies over the reliability of report indicators concerning the amount of savings or overexpenditure with respect to the production cost of products is of primary significance. The formation of a significant part of the economic incentive funds depends on these indicators since

beginning in 1983 direct deductions into the funds were introduced on an established scale with respect to savings as a result of reducing material expenditures as compared to the limit. But if the limit is exceeded, the funds, on this scale, decrease but not by more than 25 percent of their planned amount. Therefore it is especially important to have control over the completeness of the disclosure and the precision of the reflection in the reports of the "unearned" savings, which are not included in the calculation when summing up the result of the operation of the enterprise and forming incentive funds. These include primarily savings because of structural changes--the output of products in proportions (structure) that do not correspond to the plan.

Moreover, when evaluating the fulfillment of the plan in terms of production cost and the limit of material expenditures one does not include savings that result from underfulfillment of planned measures for environmental protection or the development and improvement of production: the introduction and assimilation of capacities, the assimilation of the output of new kinds of products, mining preparation work, technical safety and so forth. By the same token one does not take into account savings formed as a result of a violation of the rules of technical operation of enterprises and the rules of the utilization of natural resources.

At enterprises of the food industry, one must exclude from the overall sum of reduction of production costs the savings resulting from violations of established recipes without the permission of the corresponding agency. When permission has been given, the savings from reducing the production cost is reduced only by the sum of the reduction of expenditures resulting from replacing one kind of raw material or processed material with others, which is not taken into account in the technical and industrial financial plan. This pertains also to enterprises of the textile industry when they use less expensive raw material for manufacturing woolen fabrics. In such cases the amount of savings can be calculated by comparing the actual expenditures on the production of individual kinds of products (according to data of a synthetic accounting in terms of account No 20 "Basic Production" and report calculations) with normatives of expenditures envisioned in the standards, technical specifications and formulae.

Let us show with an example we took from a machine building plant the sequence for calculating savings or overexpenditure from changing the production cost of commercial products, including material expenditures, as compared to the plan (Table 2, conventional figures).

The initial information for the audit of the report indicator of the actual production cost of the commercial products produced (point 1a of the table) was system bookkeeping data reflected in order journal No 10 or the printout of the production calculation during all months of the report. Here one should keep in mind the peculiarities of the reflection in the report of expenditures under the calculation article "Nonproduction Expenditures" in cases when not all of the products are sold during the month in which they are produced. Then the expenditures on packing and transporting prepared items are included in the report indicators of the production cost as

estimated--based on the actual volume of output and the level of these expenditures in the report month for the preceding month for the part of the products that were dispatched.

Let us say that during the report month the plant produced products with a production cost of 7.2 million rubles, and shipped 5.4 million rubles' worth. Expenditures on packing these items, delivering them to the station of departure and loading them into the cars during the report month amounted to 324,000 rubles or 6 percent of the production cost of the items that were shipped. Consequently, the sum of expenditures for the actual volume of products produced was equal to 432,000 rubles (6 percent of 7.2 million rubles). This should be shown in section I of the quarterly appendix to Form No 1-s under the item "Nonproduction expenditures" and should be included in the report indicator of the complete production cost used for calculating the actual expenditures per ruble of commercial output and the absolute amount of savings (overexpenditure).

When controlling the formation of the indicators of expenditures per ruble of commercial output it is necessary to pay attention to the reliability of the report figures concerning the volume of commercial output produced in current wholesale prices of the enterprises that have been used in the plan (Table 2, point 2). It should be recalled that beginning in 1983 the methods for calculating this indicator in the report on the production cost (form No 1-s) differ essentially from the method of determining the indicator by the same name in the report concerning fulfillment of the plan in terms of products (form No 1-p). The former is less than the latter by the amount of temporary increments to wholesale prices for highly effective products, items for production and technical purposes with the Emblem of Quality and new consumer goods with improved quality.

At the same time the former volume indicator of commercial is greater than the latter by the amount of rebates from wholesale prices for products of the second quality category, items that have not been certified in time and consumer goods for which there is limited demand.

Such differences in the formation of the report indicators for commercial output are quite justified economically. For factors in price setting that are related exclusively to stimulating improvement of product quality should not affect the results of the fulfillment of assignments in terms of production costs. But these factors have a marked effect on the level of fulfillment of the plan in terms of the volume of output.

In our example (Table 2, point 6) 278,000 rubles in savings were obtained as a result of reducing the production cost under the influence of various factors that were independent of the enterprise. The quarterly report (appendix to form No 1-s) contains detailed information about the amount of this savings during the report quarter and the growing total from the beginning of the year with respect to the aforementioned list of causes.

Table 2.

| Indicators   | Number of lines on<br>report Form No 1-s | Total since be-<br>ginning of year,<br>thousands of<br>rubles |
|--|--|---|
| 1. Production cost of commercial products actually produced:   |  |   |
| a) based in prices and rates that were in effect for materials, fuel, energy and so forth, consumed in production  | 120                                      | 69,685  |
| b) one subtracts the increase (+) or adds the reduction (-) of production cost because of changes in prices and rates not taken into account in the plan       | 320                                      | +195  |
| c) one subtracts the additional expenditures for new consumer goods with improved quality that are reimbursed through temporary increments to wholesale prices | 360                                      | 30  |
| d) actual production cost based on prices adopted in the plan (69,685 - 195 - 30)  | 140                                      | 69,460  |
| 2. Actual volume of commercial output in wholesale prices adopted in the plan for industrial enterprises   | 160                                      | 75,132  |
| 3. Expenditures per ruble of commercial output according to established plan, kopecks  | 040                                      | 93.12   |
| 4. Production cost of actually produced commercial output based on planned level of expenditures per ruble of output ( $75,132 \times 93.12 : 100$ )           | 100                                      | 69,963  |
| 5. Savings (-) or overexpenditure (+) on production cost of commercial output as compared to plan ( $69,460 - 69,963$ )  | 240                                      | -503  |
| 6. Savings (-) not taken into account when evaluating the fulfillment of the plan for production cost (according to individual calculation)                    | 250                                      | -278  |
| 7. Savings (-) or overexpenditure (+), used for evaluating the fulfillment of the plan for production cost ( $503 - 278$ )                                     | 260                                      | -225  |
| 8. The same in % of planned production cost, presented in point 4 of the given table ( $225 \times 100 : 69,963$ )   | 270                                      | -0.32   |

Note: One calculates in an analogous way the savings or overexpenditure of material expenditures with the single difference that points 1, 3, 4, 5, 6, 7 and 8 of the table include indicators of the same name only in the part of material expenditures that are used for the production cost of the commercial output.

When auditing and analyzing it is necessary to compare actual expenditures on measures for developing and improving production and protecting the environment with planned allocations for these purposes which are allotted by the higher organization along with the approval of assignments for production cost and the limit of material expenditures.

In the past the fulfillment of the plan in terms of expenditures per ruble of commercial output has been evaluated by comparing the actual level (based on prices adopted in the plan) with the planned level, translated into the actual output and assortment. Beginning in 1983 a principally new policy has been introduced for evaluating the fulfillment of assignments in terms of production cost: the actual expenditures per ruble of commercial output (in prices of the plan) are compared with the maximum level of expenditures established in the plan for the report period. Here one preliminarily introduces adjustments for savings obtained during the report period because of factors that are independent of the enterprise (see Table 3, point 2).

Consequently, as distinct from recent practice, one can no longer justify exceeding the maximum limit of expenditures per ruble of commodity output established in the plan, even if it is the result of structural changes in the products list (assortment) of items that are produced. But if as a result of a change in the structure (proportions) of commodity output there is a savings, it is not counted in the final evaluation of the fulfillment of assignments in terms of production cost and the limit of material expenditures. Therefore the audit should establish whether this savings is correctly reflected in the quarterly appendix to form No 1-s (line 390).

Here the initial information is provided by working (auxiliary) tables to section I of the quarterly appendix to form 1-s which are compared at enterprises and PO's. The influence of a change in the products list and assortment of products on the level of expenditures is now determined, as a rule, only in terms of the so-called "direct expenditures," which include all calculation items of the production cost besides expenditures on the maintenance and operation of equipment, shop, general plant and other production expenditures. Indicators of the plant production cost of the actual output and assortment of products are calculated in the report by multiplying expenditures under each item of direct expenditures according to the quarterly planned calculations (in the annual report--according to the annual planned calculations of the report year) by the number of manufactured items in physical terms. The influence of structural changes on the level of expenditures is determined as the difference between the planned direct expenditures per ruble of commercial output in the actual existing structure and their level according to the established plan.

Let us continue our conventional example. Let us say that the planned direct expenditures per ruble of commercial output in the report period were: according to the established plan--79.15 kopecks (section I of the appendix to form No 1-s, line 230, column 1), and translated into the actual output and assortment--78.78 kopecks (the same place, column 2). The difference between the indicators is 0.37 kopecks and the savings is characterized by the degree of the effect of the deviations from the planned structure of production on the level of direct expenditures. By multiplying this difference

by the actual volume of commercial output in planned prices, which in our example was 75,132,000 rubles (see Table 2, point 2), we find the amount of the savings as a result of the change in the products list and the assortment of products as compared to the plan. It was equal to 278,000 rubles ( $75,132 \times 0.0037$ ).

An important stage in the analysis of the production cost is the consolidated balance calculation of the influence of various factors, either dependent on or independent of the operation of the enterprise, on the report indicators of expenditures, including material expenditures, per ruble of commercial output. The initial data for the analysis are provided by the current report of the production cost of the products on form No 1-s or the annual report form No 6. With respect to our complete example these indicators are presented in Table 3.

The figures in the table show that the actual expenditures per ruble of commercial output were lower than those established by the plan by 0.39 kopecks (92.73 - 93.12). The savings (-) or overexpenditure (+) were achieved under the influence of the following factors:

|  |       |
|--|-------|
| deviations from the planned structure of products and other factors of economizing that do not depend on the operation of the enterprise; the failure to fulfill measures for development and improvement of production, environmental protection and so forth (92.75 - 93.12) | -0.37 |
| the reduction of the production cost of items achieved in the items of expenditures (92.45 - 92.75)  | -0.30 |
| changes in prices of products (including as a result of increments and rebates for quality) and materials consumed in production (92.73 - 92.45)   | +0.28 |
| Total  | -0.39 |

For a total evaluation of the fulfillment of the assignments for the production cost, the actual expenditures per ruble of commercial output based on the prices adopted in the plan (92.45 kopecks) is compared with the expenditures according to the plan adjusted by the amount of savings not taken into account (92.75). Thus the actual above-plan reduction of expenditures amounted to 0.30 kopecks or 0.32 percent of the established plan (93.12 kopecks). The correctness of these calculations is confirmed by the fact that the percentage of above-plan reduction of expenditures coincides with the identical indicator calculated in Table 2 (point 8) by another method--based on the absolute amount of savings applied for evaluating the fulfillment of the assignment in terms of production cost.

A detailization of the factors conditioning the level of expenditures per ruble of commercial output, if necessary, can be expanded in the process of subsequent analysis. For example, utilizing the report indicators on form No 1-s and the quarterly appendices to it, one can calculate individually

according to the presented methods the influence of such factors as deviations from the plan for quality (grade) of products, changes in prices of materials used in production that are not taken into account in the plan, and so forth.

Certain peculiarities are inherent in the audit and analysis of the production cost at enterprises whose plans establish an assignment for reducing production costs of comparable commercial output in percentages of the preceding year. Here the initial stage of control is an inspection of the data in the working (auxiliary) table for the report on the production cost as to whether they have correctly entered items produced during the report period in terms of the commercial products with which they are compared. It includes items that are produced in the preceding (base) year at a given enterprise except for products which were only assimilated or produced as an experiment at that time. But partial changes in the structure of materials that are consumed and other technical and economic parameters are no justification for entering items among those that cannot be compared with other products if as a result of these changes no new model (type) of item or new standard (technical specifications) were introduced. Only essential changes in batching items which cause an appreciable change in their production cost justify including them in products which cannot be compared.

Beginning in 1983 the fulfillment of assignments for reducing production cost of comparable commercial products has been evaluated according to a principally new method: the actual reduction in percentages of the preceding year (based on prices and rates adopted in the plan for materials consumed in production, fuel, energy and so forth) is compared with the assignment according to the established plan which is preliminarily adjusted for savings which are obtained because of factors that do not depend on the operation of the enterprise (as a result of structural advances, failure to fulfill measures for development and improvement of production, environmental protection and so forth). The sequence of calculations is shown in a conventional example using data of section III of the quarterly appendix to form 1-s (line numbers in parentheses).

(thousands of rubles)

|   |        |
|---|--------|
| 1. Indicators of the established plan:  |        |
| a) production cost of planned output of comparable commercial products based on average annual production cost of preceding year (line 560) | 26,458 |
| b) the same based on the planned production cost of the report period (line 550)  | 25,688 |
| c) reduction of production cost, percentage of preceding year $[(25,688 - 26,458) : 26,458 + 100]$ (line 570)                               | -2.91  |
| 2. Savings not taken into account when evaluating the fulfillment of the plan according to the individual calculation (line 670)            | 132    |

3. Reduction of production cost of comparable commercial output according to the plan adjusted for savings not taken into account (percentage of preceding year  $[(25,688 - 132 - 26,458) : 26,458 \times 100]$  (line 590) -3.41
4. Comparable commercial output produced in the report period:
  - a) in terms of the average annual production cost of the preceding year (line 600) 26,241
  - b) in terms of the actual production cost (line 610) 25,312
  - c) in terms of the actual production cost based on prices and rates adopted in the plan (line 620) 25,365
5. Reduction of production cost of comparable commercial products produced, percentage of preceding year:
  - a) actual  $[(25,312 - 26,241) : 26,241 \times 100]$  (line 630) -3.54
  - b) actual in planned prices  $[(25,365 - 26,241) : 26,241 \times 100]$ , (line 640) -3.34

As one can see from the calculation, the assignment for reducing production cost of comparable commercial products was underfulfilled by 0.07 points (3.34 - 3.41).

The new system of report indicators of the production cost of comparable commercial output makes it possible to calculate more precisely the degree of influence of various factors that form the level of these indicators. In the example that was considered, for the report period it was planned to obtain 770,000 (25,688 - 26,458) in savings from reducing the production cost of comparable commercial products, that is, 2.91 percent of its average annual production cost during the past year. Actually the production cost of the comparable products that were produced, calculated in prices of the report period, decreased as compared to the average annual production cost of the preceding year by 929,000 rubles (25,312 - 26,241), or by 3.54 percent. Thus the deviation from the planned assignment was 0.63 points (3.54 - 2.91), and the sum of additional savings was 159,000 rubles (929 - 770). Let us calculate the influence of individual factors on these deviations.

Factors of economizing not conditioned by the results of economic activity. The influence of this group of factors (violation of the planned assortment, failure to conduct planned measures for technical safety, environmental protection and so forth) can be determined by comparing the percentage of reduction of the production cost of the compared products according to the established plan with the planning indicators of the same name adjusted by "undeserved" savings. In our example these indicators will be 2.91 (point 1c of the calculation) and 3.41 (point 3), respectively. This means that under the influence of this group of factors which were not taken into account when evaluating fulfillment of the plan the production cost of the comparable

commercial output decreased by 0.5 percent of the level of the preceding year (3.41 - 2.91) or by 132,000 rubles (point 2 of the calculation).\*

Table 3.

| Indicators  | Number of lines on report Form No 1-s | Total since beginning of year, thousands of rubles |
|---|---------------------------------------|--|
| 1. Indicators of approved plan:   |                                       |  |
| a) production cost of all commercial output   | 010                                   | 69,211   |
| b) commercial output in wholesale prices of enterprises   | 030                                   | 74,324   |
| c) expenditures per ruble of commercial output (69,211 : 74,324), kopecks   | 040                                   | 93.12  |
| 2. Savings not taken into account when evaluating fulfillment of plan (see Table 2, point 6)  | 250                                   | 278  |
| 3. Expenditures per ruble of commercial output according to plan, adjusted by savings not taken into account [(69,211 - 278) : 74,324], kopecks | 080                                   | 92.75  |
| 4. Actual volume of commercial output   |                                       |  |
| a) in wholesale prices adopted in plan  | 160                                   | 75,132   |
| b) in wholesale prices in effect  | 170                                   | 75,147   |
| 5. Production cost of produced commercial output  |                                       |  |
| a) based on level of expenditures per ruble of commercial output according to established plan (75,132 X 93.12 : 100)                           | 100                                   | 69,963   |
| b) actual, based on prices in effect during report period   | 120                                   | 69,685   |
| c) actual, based on prices adopted in plan  | 140                                   | 69,460   |
| 6. Actual expenditures per ruble of commercial output produced, kopecks   |                                       |  |
| a) based on prices in effect (69,685 : 75,147)  | 180                                   | 92.73  |
| b) based on prices adopted in plan (69,460 : 75,132)  | 190                                   | 92.45  |

Note: Indicators of material expenditures per ruble of output are calculated in the same sequence. Also points 1, 2, 3, 5 and 6 of the table are included in indicators of the same name only for material expenditures (instead of full production cost).

\*The degree of influence of this group of factors can be determined during the course of the analysis for individual variables of "undeserved" savings by using developed data of section VI of the quarterly appendix to Form No 1-s concerning the amount of this savings.

Change in volume of comparable commercial output. The actual volume, calculated according to the average annual production cost of the preceding year, is less than planned by 217,000 rubles (27,241 - 26,458). With the planned percentage of reduction of the production cost of comparable commercial products (2.91), this decreased the savings by 7,000 rubles ( $217 \times 2.91 : 100$ ) as compared to the sum envisioned in the plan for the report.

Change in prices and rates for materials, fuel, energy and so forth consumed in the production of the comparable commercial products. According to data of point 4 of the calculation, the changes in prices and rates not taken into account in the plan brought about a reduction of the production cost of the comparable output of about 53,000 rubles (25,312 - 25,365), or 0.2 percent of the average annual production cost of the preceding year ( $53 \times 100 : 26,241$ ).

The change in the level of the production cost of items resulting from real savings or overexpenditure in individual items of expenditures. The influence of this factor is calculated by comparing the percentage of reduction of the production cost of comparable commercial products that are produced in prices of the plan (3.34) achieved during the report period (as compared to the level of the previous year) with the percentage established by the plan adjusted for "undeserved" savings (3.41). Thus we find that because of over-expenditures for certain articles and items of expenditures, the production cost of the comparable products increased by 0.07 percent ( $3.34 - 3.41$ ) of the level of the previous year, or by 19,000 rubles ( $26,241 \times 0.07 : 100$ ).

The summary data concerning the influence of all the aforementioned factors on the absolute and relative indicators of the reduction of the production cost of comparable commercial output are presented in Table 4.

The report concerning the production cost of products (section VI of the quarterly appendix to form No 1-s or section IV of form No 6) includes data concerning the production cost of a unit of the most important kinds of products according to the list established by the ministry (department). It is especially important to analyze these indicators at enterprises that produce one kind of product. Here the fulfillment of the assignment in terms of production cost is determined by comparing the actual complete production cost of a unit of output calculated on the basis of prices and rates adopted in the plan with the planned production cost.

When the results of the audit and the analysis reveal cases of incorrect reflection in the reports of indicators of production cost and material expenditures, the financial agencies develop proposals for correcting the report data and, if necessary (if they are fund-forming indicators), also concerning the reducing the deductions into the economic incentive funds. If as a result of distorting report indicators of the production cost and savings from reducing material expenditures, unjustified bonuses were paid, suggestions are given for making reimbursement under the established policy for the damage that was caused.

Table 4.

|  | Deviation from planned assignment<br>(reduction of production cost -,<br>increase +) |  |
|--|--|--|
|  | Total, thousands<br>of rubles  | % of average an-<br>nual production<br>cost of past year |
| Factors in savings not taken into<br>account when evaluating fulfill-<br>ment of assignments for production<br>cost                  | -132   | -0.5   |
| Change in volume of comparable com-<br>mercial output  | +7   | X  |
| Reduction of prices of materials,<br>fuel, energy and so forth consumed<br>in production which was not taken<br>into account in plan | -53  | -0.2   |
| Increased production cost of indivi-<br>dual kinds of comparable products  | +19  | +0.07  |
| Total  | -159   | -0.63  |

The analysis of the production cost is concluded by developing measures for strengthening conditions for economizing on the basis of eliminating nonproductive expenditures and unjustified overexpenditures, introducing reduced-waste and wastefree technologies, raising the technical level of production, applying progressive technical and economic norms and normatives, and improving accounting and intra-enterprise control over the utilization of material, fuel and energy, labor and financial resources.

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## REGIONAL DEVELOPMENT

### BELORUSSIAN FINANCE MINISTER CONTINUES DISCUSSION OF IRREGULARITIES

Minsk SOVETSKAYA BELORUSSIYA in Russian 22 Mar 83 p 2

[Article by BSSR Minister of Finance B. Shatilo: "Up to the Mark of Today's Demands". For initial article see JPRS 80541, 12 Apr 82, No 1005 of this series, pp 31-35]

[Text] On 26 February of last year SOVETSKAYA BELORUSSIYA printed the article "An Audit . . . After an Audit" which was devoted to the problems of improving control and auditing work in the republic, to the struggle against mismanagement and extravagance, and for the preservation of socialist property and for compliance with state and performance discipline. The publication gave rise to a broad exchange of opinion. The results of the discussion are summarized in the article published below.

An improvement of control and auditing work is a component part of the measures aimed at improving the economic mechanism, strengthening cost accounting, and ensuring an economy of material, labor, and financial resources in the economy, the growth of accumulations, and the achievement of the highest final results.

Therefore, it is not an accident that the discussion of this topic which took place on the pages of the newspaper SOVETSKAYA BELORUSSIYA gave rise to great interest. Quite a few sensible suggestions and criticisms were made. It all amounts to the fact that the issue merits the most careful attention and profound study. An indifferent attitude toward it is impermissible.

In my view, the very fact that during the discussion contradictory opinions were expressed speaks about the necessity for constantly improving control both from the organizational and from the methodological point of view. It cannot be otherwise; for every department has its own peculiarities which come above all from the structure of the management of a branch (the existence of main administrations, oblast and rayon agencies).

One thing is indisputable--the control and auditing apparatus has to be departmental. An experiment conducted in certain republics in the centralization of the entire control and auditing service at the ministries of finance did not justify itself. The concentration of a large number of auditors from all branches of the economy in a single department such as, for example, the Ministry

of Finance, especially in republics with an oblast division, makes them uncontrollable. But that is not all. The main thing is that the elimination of auditing services in the departments would remove from their leaders the responsibility for ensuring effective and constant control. I think that it would not be superfluous to once again recall that the 26th CPSU Congress defined the role of the ministries, departments, and other managerial agencies as ensuring a strict regimen of economy and thrift, and waging a resolute struggle against mismanagement and extravagance in all of the elements of the economy, and pointed out the responsibility for absolute compliance with state, planning, and financial discipline.

Responses to the article "An Audit . . . After an Audit," and letters which have come to the Ministry of Finance have pointed to the bad situation in a number of places with respect to the preservation of socialist property, and cited concrete instances of extravagance and mismanagement. The apparatus of the ministry's Control and Auditing Administration has been charged with checking out signals and, when necessary, conducting audits.

The publications which have appeared on the pages of this newspaper have been carefully examined. I would like to express some considerations regarding them. Recognizing the necessity for improving control and auditing work, P. Zhurov, in his article "Whose Auditor, or How Do They Audit?", criticizes shortcomings in the work of the control and auditing apparatus of the system of the Ministry of Finance. Without entering into a polemic with the author on concrete facts he cites, it has to be admitted that individual workers of the apparatus of the Control and Auditing Administration of the BSSR Ministry of Finance, unfortunately, are also marked by derelictions. As a rule, they do not remain unnoticed and, especially, unreacted to. Of course, this does not mean that everything possible is being done by us in this field. The Ministry of Finance and its local agencies have to see to it that both the quality of auditing work and the personal responsibility of each worker is up to the level of contemporary demand.

In his article, "The Audit. Form and Content," N. Sobol' conducts a deep and objective analysis of the state of intradepartmental control. His proposal--that more surprise audits be carried out--is valid. This kind of practice is effective. True, it has to be used in relation to concrete conditions. The author is right that it is not always necessary to have an overall check. If the audit is conducted for a limited number of issues, there is scarcely any necessity for enlisting a large number of specialists. But, of course, if a check is taking place of the entire financial and economic performance of an enterprise, then not only auditors and accountants must participate in it, but also workers from the divisions of labor and wages and of production planning, and from other services. Their duty is not only to analyze performance within a specific period of time, but also to work out the kinds of recommendations which will make it possible to substantially improve the situation. Who, if not a specialist, is able to do this?

A good account has been given of itself by the practice of enlisting workers from education, health care, municipal housing, domestic services, and other departments for overall audits of the performance of local budgets. Their experience and their knowledge of the specifics of their branches is a very useful supplement for the auditors. This idea is confirmed by V. Tsvirko in his article "What is in the Act?" which was published in October of last year.

The enlistment of specialists for overall checks compensates to some extent for the shortages of auditor personnel. And the fact that in a number of places there is a small number of them is generally known. True, recently, especially during the past year, many departments (the Ministry of Agriculture, Ministry of Light Industry, Ministry of Water Resources, Ministry of Communications, the Committee for Sports) have greatly strengthened their auditing apparatus, increased its personnel, and made changes in structure. Nevertheless, the problem remains an acute one. N. Sobol' correctly points out that it is for this reason that individual enterprises and organizations are not audited for long periods of time. And there is much true in the position of V. Tsvirko who sees the reason for personnel shortages in the fact that auditors are not trained anywhere as specialists. Having analyzed the materials in the press and given consideration to the importance of this issue, the USSR Ministry of Higher and Secondary Specialized Education has adopted a decision on the training in VUZes beginning with the 1983-1984 academic year of cadres with the specialty of "Audit and Control." Thus, a serious step has been taken which in the future will make it possible to staff the control and auditing apparatus with highly qualified workers.

It should, however, be taken into account that the first institute graduates in this specialty will appear only five years from now. Meanwhile, auditing work needs to be improved today. What are the ways of achieving this goal? One of the most realistic and effective is to increase the knowledge of auditors. There are possibilities for doing this, and considerable ones. Thus, beginning with last year the retraining of control and audit apparatus workers began in the republic inter-branch Advanced Training Institute for Executive Workers and Specialists in the Branches of the Economy. It is now up to the ministries and departments to make fuller use of the possibility which has been provided them. Approval is merited by the experience of certain ministries and departments which are not only performing the retraining at their own teaching bases, but also the training of auditing workers. For example, definite results have been achieved by the Belorussian Union of Cooperative Societies. Mentorship must also play an appreciable role here.

As N. Sobol' correctly points out in his article, a more efficient system of material and moral stimulation for auditors with regard to their experience, professional training, and departmental membership is of considerable importance for making control and auditing cadres permanent. The question of reviewing the wage terms of this category of workers is being considered in the appropriate bodies. At the same time, it has to be noted that the leaders of certain ministries and departments are not making use of the right granted them by the republic's government to pay bonuses to good auditors on the basis of the

incentives fund and of the fund for assistance to workers in subordinate organizations.

In the responses to the article "An Audit . . . After an Audit," and, particularly, in the article by V. Leskov there is a discussion of the necessity for avoiding multiple checks and audits at the same enterprises. As is known, this is largely achieved by the Commission on the Coordination of Control Work of the Presidium of the BSSR Council of Ministers. It unites the efforts of control agencies, eliminating parallelism and duplication. There are similar agencies in the oblasts. The task is for them to spread their influence as widely as possible to the control agencies in cities and rayons. Not only state and departmental services should be involved in the sphere of coordinating control work, but also public control agencies.

The question raised in the article by V. Tsvirko of compensation for damage which is caused to the economy by various kinds of selfish crimes, and by spoilage resulting from the careless and irresponsible storage of physical assets and by violations of state discipline deserves especially serious consideration. One cannot but agree with the author that it must be a matter here not only of returning to the state what has been stolen or lost, but also of making the executives who with their actions or inaction foster this damage materially responsible.

Of the many forms of material responsibility the most frequent are monetary pay deductions which are performed by people's control agencies. As for the collection of damages in accordance with Article 49 of the USSR Principles of Labor Law, economic executives apply this measure to their subordinates very timidly, and sometimes even unwillingly. Hindrances also arise in attempts to resort to such a punishment as depriving officials guilty of reporting distortions of their bonuses for a period of one year. In most cases the guilty parties are deprived of their bonuses for . . . one month. Such facts have to be dealt with in a principled manner everywhere, and attempts by certain leaders to protect violators of state discipline in this way have to be stopped. A resolute rebuff must be given to all who indulge deceivers.

The discussion of the problem of improving control and auditing work which unfolded on the pages of SOVETSKAYA BELORUSSIYA served as an impetus for all who have something to do with this field of work, and has compelled us to look once again to see if everything is being done for departmental control to play the important role which is being assigned to it at the current stage.

The BSSR Ministry of Finance has also analyzed its work in this sector. Its finance agencies will continue to carry out tireless control over the state of control and auditing work in ministries, departments, and other of the republic's agencies of management, combining it with assistance to these services.

In order for the yield from departmental control to be greater it is necessary to correctly define the chief directions for the application of its forces.

Today at the center of our attention is an increase in the efficiency of production and its intensification. However, as was noted at the November (1982) Plenum of the CPSU Central Committee, the shift by the economy to these rails is still taking place slowly. Labor productivity growth rates are low, the materials intensiveness of output is almost not declining, and there are large losses of raw materials, energy resources, and working time.

Concern is not always shown for the absolute fulfillment of decisions which are made. A great deal has to be done to strengthen responsibility for compliance with state discipline. It is on these key issues that departmental control must concentrate its attention, organically combining performance and discipline with bold initiative, efficiency, and an in olerant attitude toward shortcomings. If every auditor were to follow these demands impeccably, the influence of control and auditing work on the achievement of high final results would be more palpable.

The editors express their gratitude to all of the writers who have taken part in the discussion of the article "An Audit . . . After an Audit," and to all readers who have sent us their responses, and we hope that they will continue to actively participate in the treatment of this topic on the pages of our newspaper.

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## REGIONAL DEVELOPMENT

### ACTIVITY OF RSFSR FINANCIAL ORGANS FOR 1983

Moscow FINANSY SSSR in Russian No 2, Feb 83 pp 3-12

[Article by A. A. Bobrovnikov, RSFSR minister of finance: "The Financial Agencies of the Russian Federation in the Third Year of the Five-Year Plan"]

[Text] Carrying out the decisions of the 26th CPSU Congress, and having united their ranks even more closely around their own Communist Party and its Leninist Central Committee, the workers of the Russian Federation, like the entire Soviet people, are striving to make the fullest possible use of the positive experience and initiative of the advanced collectives of industrial enterprises, construction projects, transportation, and other branches of the economy and with new labor efforts to achieve the realization of the tasks posed in the 11th Five-Year Plan.

The CPSU Central Committee Plenum which took place in November (1982) became an important stage in the accomplishment of the tasks posed by the 26th Party Congress. In the Plenum's decree and in the speech of the General Secretary of the CPSU Central Committee Comrade Yu. V. Andropov there is a thorough analysis of the country's economy and a definition of its chief directions of further development for the forthcoming years.

The decree of the plenum of the CPSU Central Committee, the State Plan for Economic and Social Development, and the State Budget for 1983 which were approved by the 7th Session of the USSR Supreme Soviet, 10th Convocation, are documents of great mobilizing power. They have again very clearly confirmed the immutability of the party's course aimed at raising the material and cultural levels of the people.

The celebration of the 60th anniversary of the world's first united multinational state of workers and peasants and the joint gala meeting of the CPSU Central Committee, the USSR Supreme Soviet, and the RSFSR Supreme Soviet marking the anniversary of the USSR at which the General Secretary of the CPSU Central Committee Comrade Yu. V. Andropov delivered a report were important events in the life of our party and people. In its theses and conclusions the report defines a broad program of action for party, government, and economic agencies at the current stage of communist construction. Especial attention is directed to ensuring an even closer and more skillful unification of the efforts of the various regions and republics in a judicious use of natural and labor resources

and of all of the capabilities of each republic, which should produce the greatest benefit for each region and each republic, as well as for the entire state.

The RSFSR Council of Ministers, the Councils of Ministers of the autonomous republics, the ispolkoms of the local Soviets of People's Deputies, and financial and planning agencies are devoting unremitting attention to the accomplishment of the tasks which follow from the decisions of the November (1982) Plenum of the CPSU Central Committee and the report of the General Secretary of the CPSU Central Committee Comrade Yu. V. Andropov "Sixty Years of the USSR."

The further growth and flourishing of the republic's economy on the basis of a fuller use of its intensive development factors, an improvement of the economic mechanism, and an increase in planning and financial discipline and in organization at all of the levels of the economy are at the basis of the practical work of the Ministry of Finance and its local financial agencies.

The efforts of our workers, and the extensive socialist competition in honor of the 60th anniversary of the formation of the USSR have produced positive results. In 1982 there was a further development of all of the branches of the economy and a rise in the population's standard of living in the Russian Federation. National income increased by 3.4 percent, and industrial production by 2.5 percent. Compared to 1981, more gas and coal was extracted, and there was a greater production of electric energy, machine building output, and consumer goods and an expansion of the latter's assortment. Measures have been carried out to increase production efficiency and work quality. On the basis of the introduction of new equipment and progressive technology and of an intensification of production processes labor productivity increased by 2.2 percent, with more than 80 percent of the increase in national income obtained from this; all types of transportation and communications were developed. The workers of the RSFSR are actively working on the accomplishment of the tasks mapped out in the USSR Food Program which was approved by a decision of the May (1982) Plenum of the CPSU Central Committee. There has been an increase in retail commodity turnover in state and cooperative trade and in domestic services for the public. More apartment houses, preschool institutions, and hospitals were built than 1981.

The all-nation socialist competition for the fulfillment and overfulfillment of the assignments of the second year of the 5-year plan and for a proper celebration of the 60th anniversary of the formation of the USSR, and the measures which have been taken for an additional mobilization of reserves and to strengthen the regimen of economy have helped to increase financial resources and have made it possible to successfully carry out the republic's 1982 budget for income and expenditures and the socialist commitments which were adopted.

However, in summarizing the results of the past period we are obliged to remember the party's immutable instructions to the effect that successes must not be allowed to block out omissions and defects. We know that it was noted at the November (1982) Plenum of the CPSU Central Committee and at sessions of the USSR Supreme Soviet and RSFSR Supreme Soviet that for a number of highly important indicators the planning assignments for the first two years of the 5-year

plan were unfulfilled, and that plans continue to be fulfilled at the price of large expenditures and production costs in connection with which the emphasis has now been put on increasing state discipline and strengthening control and performance verification for previously adopted decisions. This circumstance obliges financial organizations to make use of reserves more actively and persistently.

"We possess large reserves in our economy," Yu. V. Andropov said at the CC Plenum. "... these reserves have to be sought in an acceleration of scientific and technological progress and the extensive and rapid introduction into production of the achievements of science, technology, and advanced experience." Nowadays economizing and a zealous attitude toward the people's property is a question of the realistic nature of our plans.

It is these criteria which must be placed at the basis of all economic control work both in the area of seeking and utilizing intra-economy reserves and of fulfilling the plan for the budget's income and expenditures and in financing measures stipulated by the economic and social development plan and by the 1983 RSFSR State Budget.

The November (1982) Plenum of the CPSU Central Committee defined the key problems of the development of our economy. The chief one consists in activating work to improve the entire sphere of economic leadership, management, planning, and of the economic mechanism. It is essential to take a more exacting approach to the evaluation of one's own work, and to wage a more resolute struggle against those who make inefficient use of the resources which are allocated by the state and who are responsible for mismanagement, wastefulness, and embezzlement and theft.

However, in analyzing the state of affairs in the republic's economy one has to observe that far from everywhere have exhaustive measures been taken to improve the work of associations and enterprises and to overcome lagging in the fulfillment of planned assignments. There are still a large number of enterprises and organizations which do not fulfill their plans for industrial output, labor productivity, cost reduction, and profits. It is a matter of deep concern that 44 percent of our production associations and enterprises do not fulfill their plans for industrial output sales in accordance with economic contracts. The situation is especially bad with the fulfillment of contract commitments in the associations and enterprises of the ministries of light, textile, and local industry and of the construction materials industry. In 1983, when analyzing reports and conducting local surveys, financial agencies have to devote especial attention to the fulfillment of contracted deliveries.

Labor productivity is the chief factor in increasing production efficiency. However, at many enterprises the labor productivity assignments are not fulfilled, and an outstripping growth rate for labor productivity with respect to the growth rate of average wages is not achieved. For this reason it is not accidental that especial attention was given to this matter at the November Central Committee Plenum. The General Secretary of the CPSU Central Committee

Yu. V. Andropov emphasized in his speech that in speaking about the necessity for a stable increase in labor productivity today we do not have the right for a single minute to forget about control by the state over the measure of labor and over the measure of consumption. Since they possess the necessary reporting data and other materials, financial agencies are obliged to be more active and effective in exercising control over the fulfillment of labor productivity assignments.

Under present conditions, as never before, a decisive place is being assigned to the intensive factors of economic development and, in the first place, to a thorough economy of labor and material resources and to the introduction of scientific and technological progress in all of the spheres of the economy. Practical measures are being carried out in the republic to realize the decrees of the CPSU Central Committee, USSR Council of Ministers, and the RSFSR government on an economical and efficient use of raw material, fuel and energy, and other material resources, and this is producing positive results. At the same time, the materials of checks show that at individual enterprises and organizations practical work on an economical and efficient use of raw materials, materials, and fuel and energy has still not been genuinely developed, norms are violated, and substantial losses occur.

There are cases of a substantial overexpenditure of raw materials at the enterprises of the ministries of light and textile industry. Thus, at the Volgograd Garment Production Association imeni Krupskaya for four products out of ten material expenditure norms per unit of product were established for 1982 in an amount exceeding the 1981 level. As was shown by a report for the first half year, the expenditure of fabrics proved to be substantially less than the plan called for and less than in 1981.

In the textile industry the efficient expenditure of raw materials is of especially great importance, since material expenditures comprise more than 85 percent. Consequently, a regimen of economy here is not only a reserve for increasing output production, but also for increasing profits and payments to the budget.

Even with our acute shortage of raw materials resources certain enterprises utilize them uneconomically and commit overexpenditures compared to the norms. Thus, compared to the norms, in 1983 the enterprises of the cotton textile branch overexpended 9,700 tons of blend in spinning, including 11,400 tons of cotton. It would have been possible to produce approximately 80 million square meters of additional fabric from this quantity of blend. As a result of a failure to comply with raw materials expenditure norms, in 1981 the weaving production of the wool branch overexpended 650 tons of pure wool yarn.

Frequently far from full use is made of the possibility for economizing raw materials resources on the basis of decreasing production wastes. During the first half of 1981 30.6 percent of the enterprises in the leather branch overexpended raw materials, and 20 percent in the garment branch. The enterprises of the shoe industry make use of an extremely negligible quantity of leather and fur waste. The waste connected with cutting comes to 22-28 percent, but insufficient use is made of it.

As in the past, above-norm losses are great at the enterprises of the Ministry of Food Industry in the production of sunflower oil. In nine months of last year they came to 785 tons worth 565,000 rubles, and increased compared to the first half year by 263 tons.

Non-productive expenditures and losses are not decreasing in many other branches of the economy. During the first half of last year above-plan losses from defective work and extra-realization losses in the industry of republic subordination increased compared to the corresponding period of 1981 and came to 260 million rubles. There are especially substantial non-productive expenditures at the enterprises of the ministries of the textile, light, food, and local industries. In 1982 the RSFSR Council of Ministers considered the work of a number of ministries at a meeting of its Presidium and meted out particularly severe punishment to textile industry leaders.

In the light of the party's and state's demands, our financial agencies, together with planning agencies and the agencies of Gosplan, have to be more active in the practical work of the inter-branch and branch commissions on economizing and making efficient use of material resources, and achieve the absolute fulfillment by all enterprises of their assignments on economizing raw materials, fuel and energy, and other material resources. In checks and audits especial attention has to be directed to the punctuality and fulness with which assignments are given to enterprises and organizations, and to the fact that they are given real support with pertinent organizations and technical measures.

It is generally known that a further increase in the production of consumer goods is of paramount importance in realizing the broad program for improving the public well-being and for more fully satisfying buyer demand. The production of goods for the population is increasing in the republic at outstripping rates compared to the overall growth of industrial output, and assortment and quality are improving.

At the same time, as was noted at the meeting of the republic Council of Ministers which took place at the end of November of last year, the situation with the production of consumer goods does not yet fully respond to the tasks which have been set. Many enterprises do not fulfill their assignments, do not conduct well-directed work to seek additional production possibilities, including on the basis of a more efficient use of raw materials and materials and the waste from local raw materials resources, and are slow in reorganizing for the production of new products which are in demand with the population.

The Council of Ministers has demanded from the RSFSR ministries and departments, the Councils of Ministers of the autonomous republics, and the ispolkoms of the kray and oblast Soviets of People's Deputies a substantial improvement of work to increase the production and supply of consumer goods, and an expansion of their assortment and improvement of their quality in accordance with contracts and growing consumer demand.

Financial agencies have to take the fulfillment of this demand under unremitting control. Especial attention has to be devoted to strengthening control by

the central apparatus of the ministry and by the local financial agencies over the unconditional fulfillment of the 1983 established assignments for the production of consumer goods by all enterprises in an assortment and quality and with delivery schedules agreed upon with the trade. It is essential to embrace all enterprises, regardless of their departmental membership, with verification checks.

Things have to be done in such a way that the best examples become the norm for our work in seeking and activating reserves for the additional production of consumer goods. In addition, it is necessary to keep in mind that along with the satisfaction of the population's demand, the fulfillment of the budget depends to a considerable extent upon the production of consumer goods.

A session of the RSFSR Supreme Soviet adopted the Law on the State Economic and Social Development Plan and on the State Budget for 1983, stipulating high goals for the republic's economic development. National income will increase by 3.7 percent and industrial production by 3 percent, including 3.3 percent for group "B." The labor productivity growth rates in industry will exceed 3.2 percent. This will be the basis for obtaining 95 percent of the increase in national income, 92 percent of the increase in industrial output, and the entire increase in agriculture, construction, and transportation.

The public consumption funds will come to 77.5 billion rubles, or will increase during the year by 3.4 billion rubles; the average wages of workers and employees will reach 190.9 rubles, and the wages of kolkhoz workers will increase by 3.7 percent and come to 140 rubles a month; and the population's real income will increase by 3.1 percent.

The RSFSR State Budget has been approved in the amount of 78.2 billion rubles for income and expenditures. The budget's basic income (68.8 billion rubles) is supposed to be received in the form of the turnover tax, payments from profits, and other payments from state enterprises and economic organizations. Receipts of 65.6 billion turnover tax rubles are planned on the territory of the republic, an increase compared to the expected 1982 fulfillment of 2.3 percent, with 27.3 billion rubles, or 41.5 percent of the total receipts, due to be allotted to the republic's budget. In the same way, this year profits in the branches of the economy will increase. Total profits will come to 28.6 billion rubles, with 16.8 billion rubles due to the budget. More than 40 percent of the profits will remain at the disposal of enterprises and economic organizations and be assigned for the reequipping and expansion of production, for an increase in the normative for an enterprise's own circulating capital, and for the creation of economic stimulation funds and other planned expenditures. It is also planned that the budget will receive 9.4 billion rubles in mandatory and voluntary payments from the population, or 12.1 percent of the budget's income. Such a volume of turnover tax receipts, profits payments, and also payments from the population will demand strengthened organizational and economic control work from our financial agencies.

In order to successfully fulfill the plans for profits and payments to the budget from profits and from the turnover tax it is necessary to see to it that the associations, enterprises, and organizations of all branches make fuller use of internal reserves, constantly improve the organization of production, increase labor productivity, comply strictly with the regimen of economy, and unconditionally fulfill the assignments for reducing the cost of output and services.

Soviet trade which has the task of bringing an ever greater mass of consumer goods to the buyer occupies an important place in the fulfillment of the budget income and expenditures plan.

Under these conditions, the serious shortcomings in the work of the trade organizations of the Ministry of Trade and the RSFSR Union of Consumers' Societies cannot be tolerated. Trade organizations do not make a sufficient study of the population's demand for goods, do not take full account of it in their economic contracts with industrial enterprises, and do not always ensure an optimal placing of goods in trade systems and enterprises. There are still a large number of trade and public catering enterprises which do not fulfill their commodity turnover and profits plans and assignments, are extravagant in the expenditure of funds for distribution costs, and do not ensure the preservation of monetary capital and physical assets. Last year the trade organizations of the Russian Federation underfulfilled their commodity turnover plan by more than 2.5 billion rubles, which had a negative effect upon the fulfillment of Gosbank's income plan and cash plan. In keeping with the amount of commodity turnover which is planned for 1983, the trade organizations of the RSFSR Ministry of Trade are supposed to deposit in the budget 13.7 billion turnover tax rubles and 2.1 billion rubles in payments from profits, and the organizations of consumers' cooperation are supposed to give 315 million rubles in income tax.

In the light of the demands of the decree of the CPSU Central Committee and USSR Council of Ministers on measures to improve the development of trade in the 11th Five-Year Plan, financial agencies have to persistently see to it that trade organizations fulfill their commodity turnover plans, raise the level of services to the public, comply strictly with financial discipline, and safeguard monetary resources and physical assets.

In the fulfillment of the budget's income plan every year more and more importance is being taken on by the attraction into the budget of monetary resources from the population which are accumulated by the agencies of Gosstrakh. In accordance with the Basic Directions of the Economic and Social Development of the USSR which were approved by the 26th CPSU Congress, work is being performed in the republic to improve the organization and further the development of state insurance. Around 100 million personal and property insurance contracts have been concluded with RSFSR citizens. For 1983 payments for all types of insurance are planned in the amount of 7.7 billion rubles, including 5.4 billion rubles from voluntary insurance among the population. At the same time, insurance payments and compensation to the population will increase. However, it is necessary to note that the level and standard of service of insurance

agents are still far from the demands. This is witnessed by numerous letters and suggestions from workers. The unutilized insurance field is still very large, and new types of insurance have not been developed widely enough.

Financial and insurance agencies have to increase their work on insuring the population and improving the servicing of it.

The RSFSR State Budget for 1983 provides the necessary appropriations to finance the measures which have been planned for the third year of the 5-year plan to further develop industry, construction, agriculture, health care, education, and other branches, and to elevate the material and cultural levels of the people. The budget's basic resources--75.6 billion rubles--are being assigned to finance the economy and social and cultural measures. Economic development is being allocated 65.8 billion rubles from all sources, with 36.1 billion rubles coming from the budget. Substantial resources are going to strengthen the material and technical base of the food, meat and dairy, light, textile, and local industries and the fishing enterprise, which are supposed to bring about an increase in the production of consumer goods and an expansion and renewal of their assortment and improvement of their quality. Financial agencies will have to play a considerable role in the use of these resources for their direct purpose.

In accordance with the tasks which have been posed by the 26th CPSU Congress and the May (1982) Plenum of the CPSU Central Committee to increase the production of agricultural output and thoroughly increase the efficiency of cropping and animal husbandry in order to more fully meet the population's food needs, 29 billion rubles have been assigned to finance the branches of the republic's agro-industrial complex, including 15 billion rubles from the budget.

As is known, the May (1982) Plenum of the Central Committee defined a number of major measures to strengthen the economies of kolkhozes and sovkhozes. Indebtedness on Gosbank loans amounting to 6.5 billion rubles has been written off for the republic's economically weak and low-profit kolkhozes and sovkhozes, and the repayment of loans amounting to more than 9 billion rubles has been postponed for ten years. Since 1 January 1983 procurement prices for the basic types of agricultural output have been increased, and price mark-ups have been instituted for the output which is sold by loss-bearing and low-profit farms.

Low-profit and loss-bearing kolkhozes will be allocated budgetary funds for the construction of apartment houses, children's preschool institutions, clubs and other cultural and domestic and municipal facilities, and intra-farm roads, and also for the maintenance of children's preschool and cultural and educational institutions and pioneer camps, and for the payment of insurance payments.

It has to be kept in mind that agriculture is being assigned the basic role in the accomplishment of the Food Program. The development of sovkhozes and other state agricultural enterprises and organizations of the ministries of agriculture and of the fruit and vegetable industry is being assigned 17.1 billion rubles. In addition, kolkhozes and sovkhozes will be extended 5.6

billion rubles in Gosbank USSR credit for the financing of planned measures. Appropriations of 720 million rubles to pay insurance payments are stipulated for low-profitable and loss-bearing sovkhozes.

In addition to this, the sovkhozes of the ministries of agriculture and of the fruit and vegetable industry will possess substantial financial resources in 1983. Almost their total profits of 2.3 billion rubles, more than 100 million rubles of free depreciation, and also more than 500 million rubles from the fund for the expansion and strengthening of sovkhozes will remain at their disposal. As in the past, especial attention is being devoted to the economic and social development of agriculture and its connected branches in the Non-chernozem Zone. This will have 8.6 billion rubles assigned to it. The draining and irrigation of lands, and an expansion and strengthening of the production base of water resources organizations is being assigned 4.1 billion rubles, and 1.3 billion rubles are going for the development of the production base of the RSFSR State Committee for Sel'khoztekhnika. The state is allocating agriculture enormous material resources. Supplies of equipment and of mineral fertilizers are constantly increasing. However, the return from invested capital is still insufficient.

Guiding themselves by the instructions of the party and the state, our financial agencies have to ensure the mobilization of enormous monetary resources and the punctual and uninterrupted financing of planned measures to carry out the Food Program, and establish strict and effective control over the highly efficient use of equipment, material, labor, and monetary resources, the strengthening of cost accounting, and the elimination of losses of agricultural output.

Capital construction is being assigned an especial place in the realization of the tasks of advancing the republic's economy, reequipping the branches of the economy, and also fulfilling the social and cultural program.

In 1983 from the budget alone 12.3 billion rubles are being allocated to finance capital investments. It is necessary for these resources, and also for material and labor resources, to be used with maximum efficiency. Work is being performed in the republic to concentrate material, labor, and financial resources at start-up construction projects, to decrease the number of newly begun construction projects and objects, and to increase the share of resources which are assigned for the reequipping and reconstruction of operating enterprises.

However, it has to be noted that the failure to fulfill the fixed capital commissioning plan for a number of years has led to the diversion of large state resources. There continues to be an increase in stocks of uninstalled equipment whose above-norm remainders at the republic's construction sites exceeds 600 million rubles. In order to mobilize internal resources in capital construction the draft plan and budget provide for drawing 656.3 million rubles worth of above-norm stocks of physical assets into turnover.

The punctual commissioning of all of the objects and production capacities, and ensuring a maximum return from every ruble invested in capital construction

is a very important task both of economic organizations and of the ispolkoms of the local Soviets of People's Deputies.

Financial agencies and the institutions of the Russian republic offices of Stroybank and Gosbank have to strengthen control over the effective and purposeful use of the resources allocated for capital investments, and wage a more resolute struggle against false reporting and other violations of planning and financial discipline at construction sites.

Under our present conditions of economic development an increase in the efficiency of transportation has taken on especial importance. At the same time, many of the enterprises of the RSFSR ministries of motor vehicle transportation and of the river fleet continue to make incomplete use of their possibilities for increasing freight and passenger hauls, and decreasing operating expenditures.

Schedule regularity is not always complied with. Poor control has been set up over the fulness of the collection and the safekeeping of the monetary receipts from passenger hauls. It has to be noted that if the financial agencies had been carrying out more effective control over the work of motor vehicle transport enterprises many of their defects would not be, or they would have been eliminated in the very beginning.

Financial agencies are obliged to devote serious attention and to seek to obtain the adoption of resolute measures aimed at more fully meeting the needs of the republic's economy for hauls with the least expenditures, and for the fulfillment by all enterprises of their production and financial plans, and they have to constantly keep a watch on how the struggle is being waged against false reporting, losses, and fuel thefts.

The party and state assign a large role in the accomplishment of social and economic tasks to the branches which are directly connected with servicing the population: municipal housing and road construction, and domestic services and communications.

In recent years an extensive overall program for the development of all of the spheres of domestic services for the public has been carried out in the Russian Federation. Every year large appropriations are allocated for the development of their material and technical base. In 1983 the development and maintenance of municipal housing is being assigned 6.4 billion rubles. There is an important task in improving the work of urban transport, increasing the level of beautification, ensuring the preservation of the housing fund, and increasing its service life. In 1983 the sale of domestic services will come to 4.9 billion rubles and increase by 6.4 percent compared to last year. Moreover, an outstripping developing for domestic services for the rural population is provided for.

The successful fulfillment of these assignments will depend in many respects upon the extent to which the Ministry of Domestic Services for the Public eliminates shortcomings in the work of its enterprises and puts internal reserves

into action. And there are still quite a few shortcomings and unutilized reserves. Last year the services volume plan was fulfilled at the cost of great strain. A substantial number of domestic services administrations did not cope with their assignments. Apparently, the financial agencies of these oblasts relaxed control over their activities.

An important place has been assigned to the development of road construction in the draft plan and budget. It is planned to commission 9,900 kilometers of new general use motor vehicle roads, many of which will unite rayon centers and the central farmsteads of kolkhoses and sovkholes. The construction, repair, and maintenance of motor vehicle roads will be assigned 3.7 billion rubles.

In view of the great importance of improving services for the population, financial agencies have to constantly seek to have the enterprises of municipal housing, motor vehicle transport, communications, domestic services, and motor vehicle roads eliminate shortcomings in their work, strengthen the regimen of economy and reduce losses, and improve the quality and standards of services for the population.

At the present time the republic's economy possesses large amounts of its own circulating capital which at the end of 1983 will come to 41 billion rubles and will make it possible to ensure the rhythmic work of association, enterprises, and organizations. It is very important for these enormous resources to be utilized with maximum return. The reporting data and the materials of checks testify to serious shortcomings here. The enterprises and organizations of the light, local, and fuel industries and the construction materials industry, of the timber enterprise, the river fleet, and of motor vehicle transport have not been fulfilling the established assignment for the involvement of existing material resources in economic turnover. This year, instead of a decrease, they have increased the above-norm stocks of commodity assets. Care is not taken to preserve their own circulating capital, and frequently it is not used for its assigned purpose. There are an especially large number of such enterprises in the ministries of agriculture and the fruit and vegetable industry the food, textile, meat and dairy industries, rural construction, and the State Committee for Sel'khoztekhnika. All of this seriously impairs their financial situation, economic relationships, and relations with bank institutions and with the budget.

In the budget for 1983 it was planned, on the basis of speeding up the turnover rate of circulating capital and reducing stocks of commodity assets, to free 256.1 million rubles and assign this money to finance planned expenditures.

When they check the financial and economic work of enterprises and analyze their reports, financial agencies must exercise control over the state of the fulfillment of the demands of the RSFSR Council of Ministers regarding increasing the responsibility of the leaders of subordinate enterprises and organizations for the preservation, strictly assigned, and efficient use of their own circulating capital, for the unconditional fulfillment of assignments on bringing stocks of commodity assets into economic turnover, and for an improvement of settlement and payment discipline.

In recent years, in the process of executing the budget, the RSFSR Council of Ministers has been allocating ministries, the Councils of Ministers of the autonomous republics, and the kray (oblast) ispolkoms additional appropriations from the republic (RSFSR) budget for the improvement of cities, rayon centers, and workers' settlements, for capital repairs of fixed capital, for the elimination of the consequences of accidents, to cover shortages of an enterprise's own circulating capital, and other purposes.

However, it has to be noted that, as the results of an audit show, local financial agencies do not check to see how efficiently and assignedly allocated resources are being used. Financial agencies have to provide not only subsequent, but also careful preliminary control over the assigned and highly efficient use of allocated resources.

Control over the expenditure of resources for social and cultural measures is an important work sector of our financial agencies. Persistently pursuing a course aimed at improving the public welfare, the party and state devote daily attention to the creation of the most favorable conditions for the life and spiritual development of Soviet people.

The expenditures for social and cultural measures in the RSFSR State Budget for 1983 are envisaged in the amount of 39.5 billion rubles, or with a 3.9 percent increase, including 13.7 billion rubles for public education, cadre training, culture, and science, and 8.6 billion rubles for health care and physical culture.

The appropriations being allotted from the budget ensure the functioning of the operating network of social and cultural institutions and its expansion in accordance with the RSFSR Economic and Social Development Plan. In 1983 there will be more pupils in schools and extended-day groups and in vocational and technical schools, and also more students in higher educational institutions. There will be a further development of the network of extra-school institutions, libraries, clubs, museums, and houses of culture.

In accordance with the recently adopted decree of the CPSU Central Committee and USSR Council of Ministers and the decree of the RSFSR Council of Ministers, in 1983 the material and technical base of health care institutions will be expanded and strengthened in the republic, which will to a substantial extent promote an improvement in medical care for the population.

An improvement of pension support for the workers, and increased assistance to families with children is a subject of constant concern for the party and state. During the current 5-year plan the minimums are being increased for workers' and employees' old-age and disability pensions, aid for the loss of a breadwinner, and state assistance to single mothers. On 1 January 1983 there will be increases in the additions to old-age pensions for continuous work at a single enterprise, institution, or organizations. It is planned to spend 17.2 billion rubles, or 4.9 percent more than the 1982 plan called for, for pensions and assistance and other forms of social support based on state social

insurance. In addition, 1,758,800,000 rubles are being allocated for pensions and assistance to kolkhoz members from the centralized union social security fund for kolkhoz workers.

In view of the fact that appropriations for social and cultural measures occupy a decisive place in the budgets of the autonomous republics and of the krais and oblasts, financial agencies have to take under unremitting control the fulfillment of plans to develop the network and fully staff social and cultural institutions, a strict compliance with the regimen of economy and thrift, and an increase in the efficiency of the expenditure of resources.

In accordance with the decisions of the 26th CPSU Congress, measures are being carried out in the Russian Federation to improve management. This work will be conducted in 1983 also, which should bring the receipt into the budget of 196 million rubles in savings from the reduction of expenditures for management.

The execution of the decision of the May (1982) Plenum of the CPSU Central Committee, and for the purpose of creating the conditions for the successful fulfillment of the Food Program, measures have been carried out in the Russian Federation to improve the organizational structure of the management of agriculture and of the other branches of the agro-industrial complex, and also to curtail excessive duplicating elements and the size of the managerial apparatus. Agro-industrial associations have been created in the rayons, oblasts, krais, and autonomous republics.

At a number of enterprises and organizations there continues to be an unwarranted growth in the number of managerial apparatus workers and there are violations of staff and estimate discipline, especially in municipal housing, transportation, and in cultural and domestic services for the public organizations. Apparently, the leaders of the related ministries and departments are not giving the necessary attention to carrying out measures to improve management, and are not studying and disseminating advanced experience enough. All of this makes it possible to draw the conclusion that in a number of cases violations remain outside of the field of vision of financial agency leaders, or do not find opposition from them.

Financial agencies have to increase their work to improve the structure of management so that it becomes more skilled and efficient, and they must also seek to have an absolute compliance with the ceilings on the maintenance of the managerial apparatus.

In the party's and state's decisions on improving the economic mechanism, and further improving the management of industry, capital construction, agriculture, and other branches of the agro-industrial complex an important role is being assigned to control and accounting, since reliable information is an indispensable condition for the improvement of management and for control in the economy.

In recent years work has been performed in the republic to strengthen the protection of socialist property and eliminate the reasons and conditions which

engender thefts and mismanagement, and measures have been taken to improve accounting. In carrying out the decisions of the 26th CPSU Congress and the Decree of the USSR Council of Ministers "On Measures to Improve Control and Auditing Work in Ministries, Departments, and Other Managerial Agencies," the RSFSR Council of Ministers has concentrated the attention of ministries, state committees, departments, and Soviets of People's Deputies on improving control and performance verification as a most important component part of organizational work.

The state of control and auditing work in the ministries and departments is systematically examined at the board of the RSFSR Ministry of Finance, and assistance is provided in the formation of the auditing apparatus and in carrying out the methodological direction of accounting and departmental control. More overall audits and checks have begun to be carried out, and their effectiveness has increased somewhat.

At the same time, as has been shown by discussion at a meeting of the board of the RSFSR Ministry of Finance of the reports of the ministries of light industry, domestic services for the public, land improvement and water resources, and education and the State Committee for Vocational and Technical Education, many shortcomings in economic work are the result of an absence of clear control, and of shortcomings in economic work and accounting. Checks are still disclosing serious violations of the procedure for performing accounting for fixed capital and the absence of the proper control over the correctness of writing it off. Financial agencies have to seek the strictest order regarding compliance with the law in the organization of accounting at enterprises and organizations in order to ensure the preservation of socialist property, reduce non-productive expenditures and losses, prevent instances of overstatements and other distortions of reporting, strengthen control and auditing work, and provide assistance in improving departmental control.

The country has entered into the middle year of the 11th Five-Year Plan. Financial agencies can and must do everything necessary to see to it that the measures of the economic and social development plan which were mapped out by the 26th Party Congress are fully provided with resources. Constant control and an irreconcilable and uncompromising struggle against violators of state planning and financial discipline have to become a genuine symbol of belief for every financial worker.

It is now especially important and necessary for every worker--from the economist to the leader--to understand that the fulfillment of a plan also depends upon his personal initiative and activeness, sense of organization and purposefulness, and upon his concrete labor contribution. We are obliged to ensure the fulfillment of the state income plan, the plan for the budget's income, and for adopted socialist commitments. It is essential to thoroughly increase the influence of financial levers on the growth of the efficiency of social production and on obtaining a maximum economic effect with minimum expenditure, and to seek an economical and efficient use of literally every ruble. And, of course, in order to accomplish some tasks it is necessary above all to

correctly place cadres so that there are politically mature, competent, and energetic people at our decisive sectors who possess organizational abilities and a feeling for the new.

Together with young specialists, veterans of financial work are working in the apparatus. It is a matter of their honor to carry out mentorship and lead the entire collective to a struggle for the fulfillment and overfulfillment of the state income plan and the plan for the 1983 RSFSR State Budget.

The way to reach new frontiers has been shown at the November Plenum of the CPSU Central Committee by the General Secretary of the CPSU Central Committee Comrade Yu. V. Andropov who took note of the continuity of the party's domestic and foreign policies, set our next political and economic tasks, gave principled directives for the most important problems of economic and social development, and defined the ways and means of solving them.

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## REGIONAL DEVELOPMENT

### KAZAKHSTAN'S ECONOMIC PROGRESS SPOTLIGHTED

#### Various Sectors

Alma-Ata NARODNOYE KHOZYAYSTVO KAZAKHSTANA in Russian No 1, Jan 83 pp 3-10

[Article by T. Mukhamed-Rakhimov, deputy chairman, Kazakh SSR Council of Ministers, chairman, Kazakh SSR Gosplan: "Plans for Further Improvement of the Republic's Economy"]

[Text] The second year of the 11th Five-Year Plan, the year of the glorious jubilee of the multinational Union of Soviet Socialist Republics, has come to and end. For the laborers of our republic, 1982 was doubly joyful: They commemorated yet another noteworthy date--the 250th anniversary of Kazakhstan's voluntary annexation to Russia.

Under the guidance of the Communist Party last year the Soviet people attained great successes in fulfilling the historic decisions of the 26th CPSU Congress and the May and November CPSU Central Committee plenums concerned with implementing the country's Food Program--the most important component of the party's economic strategy for the present stage. The citizens of Kazakhstan made a substantial contribution to the common cause.

Owing to the selfless labor of the working class, the kolkhoz peasantry and the Soviet intelligentsia aimed at fulfilling the decisions of the 26th CPSU Congress and the 15th Congress of the Kazakh SSR Communist Party, a new major step was made in 1982 in developing and improving the republic's economy and in raising the material and culture standard of living of the people. All sectors of the national economy advanced noticeably along the road of production intensification, improvement of product quality and growth of other technical-economic indicators. According to preliminary data the republic's national income increased by 1.9 percent in comparison with 1981.

In the first 2 years of the 11th Five-Year Plan the industrial production volume was 8 billion rubles more than in the corresponding period of the 10th Five-Year Plan. The main sectors enjoyed further development, and a universal effort was made to expand production of consumer goods and improve their quality.

Implementing the Food Program adopted by the May (1982) CPSU Central Committee Plenum, laborers of the republic's agroindustrial complex are doing a great

deal to increase agricultural production and to process raw materials promptly and completely. Despite the extremely unfavorable weather of last year, the republic's sovkhoses and kolkhoses gave the state 11.3 million tons of grain. Especially successful were the grain farmers of Kustanay Oblast, who poured over 260 million poods of grain into the motherland's granaries--twice more than planned, and by grain farmers of Aktyubinsk and Kzyl-Orda oblasts. The country also received 1,027,300 tons of sugar beets, 1,317,000 tons of meat, 2,306,000 tons of milk, over 2 billion eggs, 55,300 tons of wool (corrected for clean fiber) and many other products.

A number of measures were implemented to develop transportation. The freight turnover of motor transportation subordinated to the republic increased by 4.2 percent over the 1981 level.

At the same time serious difficulties and shortcomings continue to exist in the work of rail transportation, and especially the Alma-Ata Railroad, which is unable to meet its quotas in shipping and delivering a number of important national economic cargoes to consumers.

A great program of capital construction is being implemented in the republic. Last year almost 6.8 billion rubles of state capital investments were assimilated, which is 0.3 percent more than in 1981.

In industry, agriculture and other sectors, a number of new enterprises, output capacities and facilities outfitted with modern equipment were placed into operation. The volume of fixed capital in nonproductive sectors increased as well.

Housing construction is proceeding on a large scale. In 1982 5.9 million m<sup>3</sup> of residential buildings were placed into operation on the basis of all sources of financing. This improved the housing conditions of about 600,000 persons.

A great complex of measures aimed at the social development and improvement of the standard of living of the laborers was completed. Real per-capita income increased by 1.1 percent in 1982.

Retail commodity turnover in state and cooperative trade increased by 4.1 percent in comparison with 1981, while the volume of personal services rendered to the public increased by 5.9 percent. However, the public's demand for certain types of consumer goods and personal services is not being satisfied completely as yet.

Public education and culture enjoyed further development. Efforts to improve protection of the people's health and their working, personal, and leisure conditions were continued. A number of measures to protect nature and the environment were implemented.

It should be noted at the same time that our successes in developing the national economy could have been more significant, had the enterprises, organizations, ministries, departments and executive committees of local soviets

of peoples deputies eliminated existing shortcomings more persistently and resolutely. Had this been the case, there would be no associations and enterprises failing their production plans and contracted obligations for delivering products, or their quotas for labor productivity growth and reduction of production cost. Unfortunately, however, we have many of them here.

Last year the quotas for producing electric power, mining coal and producing cast iron, steel, rolled ferrous metals, yellow phosphorus, sulfuric acid, agricultural machinery, cement and wall materials were not met. The reserves for increasing production of consumer goods, expanding their assortment and raising their quality are not being fully utilized.

In capital construction, assets, materials and equipment continue to be dispersed among numerous projects. This explains the fact that the volumes of unfinished production have risen or are decreasing too slowly in a number of sectors.

Many construction subdivisions are systematically failing their quotas for commissioning planned facilities due to shortcomings in the organization of labor and production. In particular, last year the Ministry of Heavy and Transport Machine Building, the Ministry of Agriculture and the Glavalmazastroy (Main Administration for Construction in Alma-Ata) failed their plans. And still worse, the Ministry of Heavy and Transport Machine Building and the Ministry of Agriculture even experienced a decrease in the volume of contracted work in comparison with 1981.

Decisions of the November (1982) Plenum emphasized the need for consistently following the course of intensification and growth in production effectiveness in all units of the national economy. This means that sensible use of production potential, greater labor productivity, all-out economization of materials and manpower and improvement of product quality are indispensable prerequisites of successfully completing the tasks associated with developing the economy and raising the welfare of the laborers, and primarily with fulfilling the Food Program adopted by the May (1982) Plenum of the CPSU Central Committee. Ministries, departments and executive committees of local soviets of peoples deputies must intensify their organizational work in this direction, so that a number of sectors that have fallen behind could catch up and so that unconditional fulfillment of the quotas planned for the current year would be insured.

The state plan for economic and social development of Kazakhstan in 1983 was drafted in keeping with the general line and strategy of our party, aimed at accelerating intensification of all sectors of social production and raising its effectiveness, broadly introducing the achievements of science and technology, modernizing the main sectors of industry and transportation, successively and quickly developing the agroindustrial complex, increasing production of consumer goods and implementing strict economization practices. In the final analysis, completion of these tasks will make it possible to raise the republic's potential and its role in unionwide division of labor even higher, and promote further growth in the standard of living of the laborers.

The republic's national income is to be increased by 3.8 percent in the new year. This will make it possible to fulfill the planned social program. By the end of 1983 the national economy's fixed capital will attain a volume of 116.7 billion rubles, to include 81 billion rubles worth of productive capital (last year the figures were 110.7 billion and 76.4 billion rubles respectively). The productivity of social labor is to be increased by 4.6 percent; this factor is to be responsible for 88 percent of the increment in national income.

There are plans for increasing industrial production volume by 3.2 percent in comparison with 1982, to include a 3.1 percent increase in group "A" production and a 3.5 percent increase in group "B" production.

Much attention is being devoted to accelerating development of the sectors of the agroindustrial complex. Gross agricultural production will increase by 10 percent, to include 20.3 percent for farming products and 3 percent for animal husbandry products. The production level of food industry will increase by 7.1 percent.

Measures aimed at reinforcing economization and thrift occupy an important place in the annual plan. The ministries and departments have specified the quotas for reducing expenditure of material resources. The effectiveness with which wages and other resources are utilized is to be raised. The profit of all forms of activity of subdivisions subordinated to the Kazakh SSR Council of Ministers is to be increased by 35.7 percent.

A great complex of measures aimed at enlarging the economy's leading sector--industry--has been included in the plan. Industrial production is to be increased to 27.6 billion rubles. Its absolute increment in comparison with last year will be 867 million rubles, 98.7 of which are to be obtained at existing enterprises. An especially high production growth rate is planned in Pavlodar, Aktyubinsk, Mangyshlak, North Kazakhstan and Tselinograd oblasts.

In order to increase the influence of intensive factors on development of industry, the production growth rate is to be almost three times the employment growth rate (the production increment is to be 3.2 percent, and the employment increment is to be 1.1 percent).

To achieve this objective, the ministries and departments must significantly raise the level of labor and production organization, and insure sensible use of manpower in all units of the economic system. The planned quotas for growth in labor productivity should be thought of as minimal.

Problems associated with raising product quality have no less significance. Production of articles in the top quality category is to be increased to 12.3 percent (it was 11.8 percent in 1982). The State Seal of Quality will be awarded to 3.1 billion rubles worth of products--6.8 percent more than last year.

Successful completion of this task requires concentration of the efforts of all categories of workers in the enterprises, ministries, departments and

the scientific, planning and design institutions. Priority attention must be devoted to unfailingly observing production discipline, raising the qualifications of workers and correctly organizing material stimulation of product quality.

This year we are to assimilate production of a number of new kinds of products. They include ones such as tin plate, opticommechanical instruments, new motorized unloaders, tractor hitches and other items.

The fuel and energy complex, which is having the dominant influence on development and trouble-free operation of all industrial sectors, occupies a special place in the plan for the present year. Production in the complex as a whole will attain 4.5 billion rubles--an increase of 5.7 percent over last year.

Electric power production will be almost 76 billion kw·hr--a 17.4 percent increase over 1982. In this case power production by plants of the republic's Ministry of Power and Electrification will grow by 20.7 percent.

If this production level is to be achieved, the Kazakh SSR Ministry of Power and Electrification will have to adopt effective measures to accelerate assimilation of the power production blocks of the Ekibastuzskaya GRES-1 and to improve the use of output capacities of the Yermakovskaya GRES, the Pavlodarskaya TETS-3 and other electric power plants. The ministry's most important task is to increase control over the consumption limits of thermal and electric power, and over power economization measures carried out by consumers.

Coal mining is to reach a volume of 122.6 million tons. There are plans for implementing measures to reequip the mines and open pits and to increase fuel extraction using mechanized complexes and rotary excavators. The effort to develop the Ekibastuz coal basin will be continued. A new horizon with an extraction volume of 200,000 tons of coal per year is to be placed in operation in the Karaganda basin (at the Mine imeni 50-letiya SSSR).

There are plans for increasing extraction of petroleum, natural gas and gas condensate. For this purpose the "Mangyshlakneft'," "Embaneft'" and "Aktyubinskneft'" production associations must hasten their efforts to fit out the developing deposits and to insure prompt commissioning of the planned quantity of oil and gas wells. After the Pavlodar-Chimkent petroleum pipeline and the Chimkent refinery are placed into operation, processing of liquid fuel will increase.

Considering the exceptional importance and acuity of the issue of sensible and thrifty use of fuel and energy resources, the republic's ministries and departments, the executive committees of the local soviets of peoples deputies and their enterprises and organizations are obligated to attain a savings of 84,000 tons of relative fuel units and 370 million kw·hr of electric power in 1985.

There are plans for developing ferrous metallurgy. Iron smelting will increase by 5.2 percent and steel smelting will grow by 2.7 percent. Production of

finished rolled ferrous metals will be almost 4 million tons, to include 110,000 tons of tin plate.

Measures have been planned to improve the use of the production capacities of the Aktyubinsk and Yermak ferroalloy plants and the Lisakovsk and Donskoye mining and concentration combines and insure stable operation of the Karaganda Metallurgical Combine. One of the most important tasks of the Karaganda Metallurgical Combine is to promptly assimilate the planned output capacities of a tin plate production shop that has been placed into operation.

In nonferrous metallurgy more zinc, lead, titanium, magnesium and its alloys, alumina and a number of rare metals are to be produced than in 1982.

Capital investments totaling 401 million rubles have been allocated to the sector's development. There are plans for introducing new output capacities at the Dzhezkazgan mining and metallurgical, Zyryanovsk lead, Achisay and Irtyshsk polymetallic and the East Kazakhstan copper-chemical combines and at other enterprises.

At the same time the production capacities of some of the sector's metallurgical enterprises will not be utilized completely owing to raw material shortages. In this connection the Kazakh SSR Ministry of Nonferrous Metallurgy must implement concrete measures aimed at supporting prompt and integrated commissioning of facilities of the ore base.

Production in chemical and petrochemical industry will increase by 7.3 percent. The output volumes will be 423,300 tons for mineral fertilizers, 325,000 tons for yellow phosphorus, 15,500 tons for polyethylene and 62,700 tons for synthetic detergents. Chemical fiber and filament production will increase by 4.8 percent, while production of tires for motor vehicles and agricultural machinery will rise by a factor of 2.5.

The main task of enterprises in this sector today, especially the "Soyuzfosfor" Association, the Shevchenko Plastics Plant, the Karaganda Industrial Rubber Articles Plant and the Aktyubinsk Chemical Plant, is to continually improve the use of production equipment, accelerate assimilation of new output capacities and insure stable work of all shops and production operations.

In machine building and metalworking, production is to be increased by 4.1 percent. In order that the Food Program drafted by the May (1982) CPSU Central Committee Plenum could be fulfilled, agricultural machinery production in the republic will rise by 6 percent, production of machines for animal husbandry and feed production will increase by 8.2 percent, and tractor production will increase by 1.7 percent.

Executives of machine building enterprises must turn special attention to assimilating and expanding production of highly productive forms of equipment. They must aim for growth in the technical level of machinery, reduction of the idleness of plant equipment and effective and economical expenditure of metals, fuel and electric power.

The production volume of timber and woodworking industry will increase by 4.4 percent this year, to include 4.5 percent for the republic's Ministry of Timber, Pulp and Paper and Wood Processing Industry. Furniture production will rise by 8.1 percent, production of wood chip panels will increase by 9.6 percent, production of wood fiber panels will grow by 10.4 percent, and lumber production will increase by 5.4 percent. The total increment is to be achieved at existing enterprises through better utilization of their productive capacities. Production of articles in the top quality category in enterprises of the Kazakh SSR Ministry of Timber, Pulp and Paper and Wood Processing Industry will attain 16.6 percent, as compared to 15.1 percent in the past year.

Great tasks face workers of construction materials industry. They were brought on by the need for providing maximum support to capital construction with cement, brick, prefabricated reinforced concrete and other materials.

The wall material production volume is to be increased to 2.9 billion units of brick--a 12.6 percent increase, 6.9 million m<sup>3</sup> of prefabricated reinforced concrete structures and articles--10.7 percent, 620 million units of roofing shingles--1.5 percent, 105 million m<sup>2</sup> of soft roofing materials--13.5 percent, and over 2 million m<sup>3</sup> of porous fillers--11.1 percent.

At the same time it should be noted that serious difficulties and shortcomings have arisen in this sector's development. The technical level of many enterprises, especially the brick plants, is extremely low, and the output capacities of new plants, especially the cement plants, are being assimilated in an unsatisfactory manner. The main production equipment is being allowed to stand idle for long periods of time. Owing to shortcomings in production organization, understaffing and interruptions in material and equipment support, many enterprises are working significantly below their possibilities.

Executives of the Kazakh SSR Ministry of Construction Materials Industry and of the associations and enterprises must intensify their efforts to create the conditions the collectives need for highly productive labor, they must decisively eliminate the shortcomings, and they must reveal and make fuller use of internal production reserves.

An all-out increase in production of consumer goods is a key task of all economic sectors and all ministries, departments and executive committees of local soviets of peoples deputies in light of the decisions of the May and November (1982) plenums of the CPSU Central Committee. This is why accelerated growth of production of group "B" products has been foreseen in the 1983 plan.

During the writing of the draft plan a careful examination was made of the possibilities of each sector for increasing production of consumer goods, and measures were planned to increase their production at heavy industry enterprises, to expand the network of subsidiary farms and to make fuller use of local raw materials and wastes produced by the main production operation.

It should be emphasized that the reserves and possibilities for organizing and increasing production of consumer goods, and especially of the simplest

consumer articles, are present in every enterprise. These reserves must be placed into action by combining high responsibility of executives of all ranks with initiative and business resourcefulness.

Light industry is to develop further this year. There are plans for producing 121.2 million m<sup>2</sup> of cotton fabric, 33.2 million m<sup>2</sup> of woollens, 11.5 million m<sup>2</sup> of nonfabric materials, 1,360,000 m<sup>2</sup> of carpets and carpet articles, 97.2 million units of knitted goods, 30.8 million pairs of leather footwear, and almost 1.1 million rubles worth of sewn articles. Natural wool production will increase by 2.9 percent, while silk fabric production will grow by 8.1 percent. Production of goods for children will rise significantly, and their assortment will expand.

The republic's Ministry of Light Industry and the Ministry of Local Industry and all enterprises producing consumer should take the necessary steps to dramatically improve the quality of consumer goods, especially sewn and knitted articles and footwear, so that these items would satisfy the public's demands more fully in relation to fashion, design, the materials used and the kinds of trim.

The task of increasing production of cultural, personal and household goods has been posed. Their production will rise by 9.9 percent to 675.1 million rubles. Production of souvenirs, various dishware, arts and crafts articles, household chemicals, toys, tree ornaments and other articles will grow at enterprises of local industry.

Union-subordinated ministries, departments and enterprises have been given supplementary quotas for the production of consumer goods totaling 183 million rubles. The efforts of the labor collectives must be channeled toward unconditional fulfillment and overfulfillment of these quotas.

Much attention is devoted in the annual plan to food industry. The indicators for its development have been determined in accordance with the objectives of the Food Program. Production volume is to be increased by 7.1 percent. In meat and dairy industry, meat production from state-owned raw materials is to be increased by 13.3 percent, sausage production is to be increased by 4.4 percent, animal fat production is to be increased by 6.9 percent, the output of whole-milk products is to be increased by 5.1 percent, high-fat cheese production is to increase by 8 percent, production of whole dry milk is to be increased by 15.9 percent, and production of dry nonfat milk is to be increased by almost a time and a half.

Fulfillment of these quotas will require the Kazakh SSR Ministry of Meat and Dairy Industry to mobilize the reserves contained in more-effective, integrated use of all meat and dairy processing products, to increase the average meat yield to 48.9 percent on this basis, and to expand the product assortment. Considering the shortage of raw materials, it would be exceptionally important to expand purchases of milk from the public and to insure maintenance of its quality characteristics until delivered to the consumer.

Production in foodstuffs industry will rise by 6.4 percent. Production increases will include 26.9 percent for granulated sugar, 14.8 percent for canned fruit and vegetables and 8.9 percent for grape wine. The assortment of bakery, confectionary and other articles will widen, and production of packaged goods will increase.

The priority tasks of the republic's Ministry of Food Industry and the Ministry of Fruit and Vegetable Industry are to eliminate cases of the production of low-quality products and insure unconditional fulfillment of product deliveries based on signed contracts.

The plans for fish industry include catching 80,800 tons of fish and increasing production of commercial food products to 74,000 tons and canned fish goods to 33 million canning units. This year the Kazakh SSR Ministry of Fish Industry must place the Balkhash Canning Plant into operation and accelerate construction of the Tash-Uktulskoye Pond Fish Farm.

As was noted at the May (1982) CPSU Central Committee Plenum, agriculture is the starting point for fundamental solution of the food problem. The plan for its development in the current year foresees expanding production and procurement of all forms of foodstuffs on the basis of further improvement of farming and animal husbandry practices, more effective use of land and agricultural equipment, reinforcement of the material-technical base of the sovkhozes and kolkhozes and improvement of the housing, cultural and personal conditions of rural laborers.

Gross agricultural production is to be increased by 10 percent in comparison with last year. This includes a 20.3 percent increase for farming and 3 percent for animal husbandry. There are plans for harvesting a total of 28.5 million tons of grain and delivering 16.3 million tons to the state. There are also plans for significantly increasing purchases of sugar beets, potatoes, melon crops, grapes and other farming products. In order that the public could enjoy a better supply of vegetables, potatoes, melons and grapes, measures to insure their preservation throughout their entire journey from the field to the consumer have been developed.

The planned purchases include (live weight) 1,420,000 tons of farm animals and fowl, 2,460,000 tons of milk, 2 billion eggs, 58,200 tons of wool (corrected for clean fiber) and 2,550,000 karakul and lambs.

The decisive prerequisite of successful fulfillment of the tasks facing animal husbandry is intensification of the sector. This means that growth in meat and dairy production must be achieved mainly through an increase in animal productivity. In this connection the plan foresees a complex of measures to increase feed procurement, to insure preservation of the quality of feed and achieve its sensible use. The planned procurement increases include 20.7 percent for hay, 31.2 percent for silage and 38.8 percent for vitamin-supplemented grass meal. Production of combined feed at enterprises of the republic's Ministry of Procurement will increase by 3.1 percent, while production of protein and vitamin supplements will increase by 13.9 percent.

Extensive measures for strengthening the material-technical base of sovkhozes and kolkhozes have been planned. Capital investments totaling 1,508,000 rubles are being allocated for this purpose--6.2 percent more. State assets are to be invested into farm buildings to house 750,000 sheep, 125,000 head of cattle and 48,000 pigs, and into poultry factories with capacities of 261,000 laying hens and 2.4 million head of table fowl per year.

Significant assets are being invested into irrigation and land reclamation measures and into developing reclaimed land. A total of 76,000 hectares of new irrigated land are to be placed into operation, 2 million hectares of pasture land are to be irrigated, and 860 km of shared water supply lines are to be placed into operation.

Measures to control losses of food products have been planned. The sovkhozes and kolkhozes will build additional granaries with a capacity of 182,000 tons, and vegetable and potato storehouses with a capacity of 28,800 tons. Feed production has been allocated 411 million rubles, which is 11.2 percent more than in 1982.

The republic's sovkhozes and kolkhozes will now receive 28,600 tractors, 21,000 trucks, 18,100 grain harvesting combines and much other equipment. Deliveries of mineral fertilizers to agriculture will total 889,300 tons of nutrients, increasing by 1.4 times in comparison with last year.

As in previous years, construction of housing, cultural and personal service facilities in rural areas will proceed on a large scale. State capital investments are to finance the commissioning of 2.7 million m<sup>2</sup> of living space, clubs and palaces of culture with a total capacity of 12,000, and a number of other facilities.

In order to satisfy the public demand for foodstuffs, the plan includes measures to develop the private subsidiary farms of kolkhoz workers, laborers and white collar workers, to create new enterprise and organization subsidiary farms and to expand existing ones.

Soviet and agricultural organs and the executives of enterprises, construction projects and institutions must constantly devote unweakening attention to this important effort.

The Kazakh SSR Ministry of Agriculture, Ministry of Fruit and Vegetable Industry, Ministry of Food Industry, Ministry of Meat and Dairy Industry, the Goskomsel'khoztekhnika and the oblast executive committees must direct the efforts of the labor collectives toward eliminating the bottlenecks and revealing and utilizing additional reserves and possibilities for increasing production, procurement and processing of agricultural products, and they must insure unconditional fulfillment of the quotas for 1983.

The plan foresees increasing shipments by all forms of transportation. The cargo turnover of the railroads is to be increased by 2.4 percent. Measures have been planned to strengthen their material-technical base and improve the use of rolling stock.

The cargo turnover of general-purpose motor transportation will rise by 6.7 percent, while passenger turnover will increase by 2.3 percent. There are plans for commissioning 10 passenger and cargo enterprises, four bus terminals and bus stations and a number of other facilities. The length of paved motor roads will increase by 900 km to a total of 74,900 km. The network of local roads will expand, and construction of approaches to the central farmsteads of sovkhozes and kolkhozes will continue.

The airlines will carry 6,850,000 persons or 1.2 percent more than last year. Construction of an airport complex in the town of Aksuat will continue, and erection of an airport complex in the city of Zyryanovsk will begin.

The volume of services provided by communication enterprises will increase by 4.1 percent. A total of 600 km of radio relay and 1,023 km of intercity cable communication lines will be placed into operation. The capacity of city and rural telephone stations will reach 1.2 million numbers--that is, it will increase by a factor of 6.1.

Successful development of all national economic sectors will depend in many ways on fulfillment of the capital construction plans. This year 7.3 billion rubles are being allocated to development of this sector. This includes 6.9 billion rubles of state capital investments. The volume of construction and installation jobs will come close to 3.8 billion rubles--that is, it will increase by 4 percent over the 1982 level.

Capital investments into development of the agroindustrial complex, non-ferrous metallurgy, construction materials industry, timber, wood processing and petroleum industry, transportation and some other sectors will increase significantly.

Forces and resources are to be concentrated on construction starts. The volume of fixed capital to be commissioned by a number of the republic's ministries and departments was determined in excess of the allocated capital investments. This will make it possible to significantly reduce the volume of unfinished construction. Its proportion in subdivisions subordinated to the Kazakh SSR Council of Ministers is planned to be 56 percent, which is below the planning standard.

The plan calls for improving the distribution of capital investments in relation to types of jobs. The proportion of construction and installation jobs in subdivisions subordinated to the republic's Council of Ministers will decrease to 51.7 percent, as compared to 54.2 percent in 1982. Assets earmarked for reconstruction and reequipment of existing enterprises will total 746 million rubles, or 21.4 percent of the total volume of capital investments into industrial construction.

The ministries and their clients, the Ministry of Construction of Heavy Industry Enterprises, the Ministry of Rural Construction, the Ministry of Installation and Special Construction Work, the Glavmaastroy and executives of the construction organizations must decisively improve construction affairs, reduce facility construction time and insure prompt commissioning of planned productive capacities.

In 1981 contracting organizations are to complete construction and installation jobs totaling 4.3 billion rubles, or 3.7 percent more than in the previous year. In order to carry out the planned program, the construction ministries and departments and the Kazakh SSR Gosstroy must take steps to raise the technical level of construction, introduce progressive methods of work organization and use new structures and materials that would promote economization of manpower and materials.

There are still many shortcomings in planning estimates. The republic's Gosstroy, the ministries and departments, the oblast executive committees, the Alma-Ata City Executive Committee and the planning organizations must insure the drafting of planning estimates at the required technical-economic level, and they must provide builders with them promptly.

A system of measures to raise the welfare of the republic's laborers has been foreseen in compliance with decisions of the 26th CPSU Congress and the 25th Congress of the Kazakh SSR Communist Party. The real per-capita income will increase by 2.8 percent this year, mainly owing to further increases in wages. The average monthly wages of laborers and white collar workers will be 176.8 rubles, increasing by 2.5 percent. This includes a 2.2 percent increase in industry and a 1.4 percent increase in construction. The wages of kolkhoz farmers working in the public economy will increase by 2.6 percent. Payments and allowances to the public from social consumption funds will increase by 4.2 percent. Calculated on a per-capita basis, they will increase from 426 rubles in 1982 to 437 rubles in the present year.

The service sectors face great tasks. Plans have been made to improve the supply of industrial goods to the public and to expand paid services.

The retail commodity turnover volume is planned at a total of 15 billion rubles, or 6.6 percent more than last year. The sales of meat and dairy products, sugar, vegetables, fabrics and cultural, personal and household goods will increase.

The Ministry of Trade, the Kazakh SSR Union of Consumer Cooperatives and the executive committees of local soviets of peoples deputies must keep the efforts to find additional resources in the center of their attention, especially in relation to those forms of goods for which the demand is not yet completely satisfied.

The social significance of personal services is continually rising. The volume of personal services rendered will increase by 6 percent, to include 7.2 percent in rural areas. In this case three-fourths of the increment in services will be achieved at existing personal service enterprises. Services reducing household labor and creating comforts in the home will enjoy accelerated development. These will include services such as repairing personal and household appliances, building and repairing housing, repairing tricot articles, clothing dry-cleaning and the services of equipment rental stations.

In addition to universal expansion of housing construction, further reinforcement of the material-technical base of municipal management is planned. The

network of water pipelines and sewage plants will increase, and the efforts to improve cities and other populated centers and to gasify residential buildings will continue.

There are plans for developing and improving national education and for satisfying the republic's demand for qualified laborers and specialists more fully. New schools with the capacity of 74,900 students will be built, and the proportion of students in extended-session schools and groups will be increased significantly.

There are plans for commissioning children's preschool institutions with a capacity of 29,400 places. The number of children they will service will increase by 7.4 percent.

The VUZs and tekhnikums will graduate 123,500 specialists--6.5 percent more than in 1982. A total of 183,000 highly qualified workers will be trained in the system of vocational-technical education.

The network of cultural institutions will be expanded. There are plans for opening 53 new public libraries, 169 clubs, 100 movie facilities, three museums, three parks of culture and recreation, and a puppet theater in the city of Aktyubinsk.

The publishing volume--books, periodicals, newspapers--will remain at last year's level.

In public health, hospitals with a capacity of 2,300 beds and outpatient-polyclinic institutions with a capacity of 2,700 visits per shift are to be placed into operation. The network of pharmacies, sanatorium institutions, vacation homes, tourist bases, Pioneer camps and athletic facilities will grow.

The conduct of scientific research and broad introduction of the developments of the scientists into production has been foreseen in all sectors of the national economy. The most attention will be devoted in this case to the key sectors of the economy. The planned measures for acceleration of scientific-technical progress are wholly subordinated to production intensification.

Efforts to renovate productive capacities and to create new, progressive production processes will be continued. Sectors subordinated to the Kazakh SSR Council of Ministers plan to install more than 170 fully mechanized and automated flow lines and to mechanize about 260 shops and sections.

There are plans for conducting scientific research in 75 specific-purpose integrated scientific-technical programs as well as programs approved by the USSR Gosplan, the USSR State Committee for Science and Technology, the USSR Academy of Sciences and the USSR Gosstroy. These programs foresee implementation of over 30 major measures to introduce fundamentally new production processes. Fourteen computers with a total capacity of 2.86 million operations per second and 18 automated control systems, to include eight automated production process control systems, will be placed into operation.

Fundamental research will enjoy further development. There are plans for reducing the cost of construction and installation jobs by 92 million rubles and achieving a relative reduction of almost 35,000 workers by implementing scientific-technical measures in the national economy.

The experimental base of the scientific institutions will be expanded so that the tasks that have been planned could be completed successfully. A total of 9.4 million rubles in capital investments are being allocated to construction of facilities for the Kazakh SSR Academy of Sciences.

The plan foresees a complex of measures aimed at nature conservation. Organizations subordinated to the republic's Council of Ministers will receive 71 million rubles of state capital investments for these purposes. Water treatment plants with a total capacity of about 34,000 m<sup>3</sup> per day will be placed into operation. Steps will be taken to insure the cleanliness of the air basin, improve land use and reproduce the forests.

If the program of economic and social development of Kazakhstan for 1983 is to be implemented, the ministries and departments, the oblast executive committees, the Alma-Ata City Executive Committee and the collectives of the associations, enterprises, construction projects, sovkhozes and kolkhozes must intensify their efforts to maximally utilize productive capacities and mobilize the reserves for fulfilling and surpassing the industrial and agricultural production plans and the capital construction plans.

The main attention must be focused on accelerating intensification of production, on increasing labor productivity and on achieving, on this basis, a high rate of production, especially of consumer goods. It is important to insure rhythmical, uninterrupted operation of enterprises in all sectors of the national economy and to achieve economical expenditure of raw materials, intermediate products, fuel and electric power from the very first days of the new year.

We can confidently say that under the wise guidance of the Communist Party, the republic's laborers will work even more energetically and persistently to implement the decisions of the 26th CPSU Congress and the 15th Congress of the Kazakh SSR Communist Party, and that they will make a worthy contribution to successful fulfillment of the third and central year and the 11th Five-Year Plan as a whole.

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#### Budget and Finance

Alma-Ata NARODNOYE KHOZYAYSTVO KAZAKHSTANA in Russian No 1, Jan 83 pp 11-15

[Article by Kazakh SSR Minister of Finances R. Bayseitov: "For the Good of the People"]

[Text] The past year will assume a special place in the life of our republic and the whole country. Kazakhstan celebrated the 250th anniversary of its voluntary annexation to Russia, and the 60th anniversary of the Union of Soviet Socialist Republics transformed into a great and joyous holiday of the unity, friendship and brotherhood of all peoples of the USSR.

The laborers of Kazakhstan are rightfully proud of their successes. During the years of Soviet rule industrial production increased by 900 times. Today, annual industrial production is five times greater than in all of the prewar five-year plans taken together. In comparison with 1965, gross agricultural production was 1.8 times greater in 1982.

Growth of social production is creating the necessary prerequisites for raising the welfare of the laborers. Just in the past 2 years of the five-year plan, real per-capita income increased by 48 percent. More than 70 percent of the utilized national income is spent on consumption; each year more than a third of the budget is allocated to the social, cultural and personal needs of the laborers.

Kazakhstan's economy now occupies an important place in unionwide division of labor, and it is making an increasingly more substantial contribution to the country's national wealth and to development of the unified national economic complex.

Measures implemented with the purpose of raising the effectiveness of social production, achieving the fullest possible mobilization of the reserves contained within the national economy and following economization practices have made it possible to increase accumulation and to fulfill and surpass the republic's budget each year.

The Kazakh SSR state budget for 1982 was fulfilled by 101 percent in relation to income and by 99.6 percent in relation to expenditures. Income was 188.6 million rubles over expenditures. The budgets of all oblasts and the city of Alma-Ata were also fulfilled.

Stable, dynamic development of the republic's national economy is creating a good foundation for successful completion of the quotas planned for the 3rd year of the five-year plan.

The Kazakh SSR state budget for 1983 was drawn up in compliance with decisions of the 26th CPSU Congress, the 15th Congress of the Kazakh SSR Communist Party and the Seventh Session, Ninth Convocation of the USSR Supreme Soviet. It is providing all of the necessary financial resources to all measures foreseen by the state plan for the republic's economic and social development. Its volume has been set at 9,623,700,000 rubles in income and 9,620,400,000 rubles in expenditures, with income exceeding expenditures by 3.3 billion rubles. In comparison with 1982 the budget will increase by 196.1 million rubles.

Budget income is being increased by expanding production and services and reducing the outlays on production and turnover. Income into the budget from the socialist economy is foreseen at 8,154,300,000 rubles. This is 84.7 percent of all of the budget's income.

Profit is planned at a total of 4,170,200,000 rubles. Of this amount, 2,69,100,000 rubles will be entered into the budget, and the rest (48 percent) will be left at the disposal of local organizations to implement planned measures associated with raising labor productivity and achieving high end results in production and financial activities.

Sizeable assets--1,234,000,000 rubles--are being allocated to formation of economic stimulation funds, with profit providing 948.3 million rubles of this amount.

An important source of budget income is turnover tax collected in the republic. In keeping with the production plan and the product sales and assortment, this income has been set at 4,209,100,000 rubles, of which 3,786, 800,000 rubles or 90 percent are to be entered into the republic's budget.

Income tax collected from kolkhozes, cooperatives and the economic organs of social organizations will also enter into the budget, as will forestry income and other payments, for a total of 1,441,100,000 rubles.

A total of 12,376,900,000 rubles has been approved for expenditures on development of the national economy accounted for in the republic's budget and covered by all sources. This includes 5,330,200,000 rubles or 43.1 percent covered by the budget.

Of the expenditures on the national economy 259 million rubles are to be spent to increase working capital, the standard of which has been set at 7,337,000,000 rubles by the end of the year. This is an increase of 3.6 percent. This will create the necessary financial conditions for rhythmical operation of all of the economy's sectors.

This year we will accelerate the turnover of working capital by improving production organization and product sales and reducing the reserves of commodities and material valuables. In this way we will be able to free 32.7 million rubles for the national economy.

The Communist Party attaches priority significance in the socioeconomic program to the development of industry. A total of 2,794,700,000 rubles has been allocated for its financing from all sources, to include 1,062,000,000 rubles from the budget.

Large sums are being allocated to development of sectors producing consumer goods. A total of 959.4 million rubles are being allocated from all sources to light, food, meat and dairy, fish and local industry, as well as to personal services for the public. The output capacities of heavy industry will be used more extensively to produce consumer goods.

Effective use of money allocated to industrial development will insure fulfillment of the quotas of improving the material and technical base of production, rebuilding many existing enterprises, commissioning new output capacities, producing and selling products and increasing accumulation. However, adequate attention is not being devoted everywhere to the fullest possible activation of the reserves for intensifying production and raising its effectiveness, improving the use of productive capital, increasing labor productivity and reducing production costs.

In 1982 from 38 to 40 percent of the total number of enterprises belonging to the Kazakh SSR Ministry of Construction Materials Industry failed their

product sales plans by a total of 4.7 million rubles, they exceeded the cost of commercial products by 6.4 million rubles, and they fell short in their production quota by 4.3 million rubles owing to a decrease in labor productivity. Because of violations of the standard deadlines for commissioning output capacities, deliveries of cement and wall materials to the national economy were short by a significant amount.

Last year these economic indicators were also unsatisfactory for certain enterprises of the Kazakh SSR Ministry of Light Industry, Ministry of Food Industry, Ministry of Meat and Dairy Industry and Ministry of Fish Industry.

The production and financial activities of the enterprises must be improved through integrated reorganization of the economic mechanism, economical expenditure of materials, significant improvement of all standards and development of scientifically grounded norms with a consideration for changes in production processes, for the experience of the best enterprises and for the materials expenditure level that has actually been achieved.

But it must be stated that these requirements are not always complied with strictly, and inflation of the norms for material expenditure is being permitted.

The national economy is suffering considerable losses due to the low quality of products. Last year the trading organization lowered the grade, scrapped and returned 10.2 percent of the inspected goods for adjustment and reworking. This included many fur and sewn articles, woolen fabrics, headwear and leather footwear. In comparison with 1981 the quantity of scrapped leather haberdashery articles doubled.

Economic sanctions were applied against certain enterprises of the Ministry of Meat and Dairy Industry during this period for producing and selling sub-standard products: The reported figures for production volume and product sales were reduced by sizable amounts.

The ministries and departments must intensify their fight against losses, and they must take additional steps to increase production and improve product quality.

Outlays on further development of motor transportation have been set at 456.5 million rubles. In order that the demands of the national economy and the public for transportation could be satisfied more completely and promptly, the existing reserves must be activated more fully, the down time of motor vehicles must be reduced, the use of truck trailers must be improved, and fuels and lubricants must be consumed more economically. Profitability must be raised and the cost of transportation must be reduced on this basis.

Outlays on further development and maintenance of the network of motor roads will increase by 5.0 percent to 840.4 million rubles, to include 440.2 million rubles provided by the budget. Assets allocated to construction, repair and maintenance of roads must be utilized strictly for their intended purpose and with the greatest payoff.

A total of 142.1 million rubles have been allocated to the development and reconstruction of communication resources. The fullest possible utilization of internal reserves can create the necessary conditions for raising the volume of communication services to 358 million rubles, and for increasing this volume by 3 percent over the 1982 level.

The 1988 Food Program adopted by the May (1982) CPSU Central Committee Plenum foresees successive implementation of the party's agrarian policy of raising the level of agriculture, improving the effectiveness of farming and animal husbandry and increasing agricultural production.

Assets provided by all sources in 1983 to finance agriculture will increase by 6.2 percent over the 1982 level to 5,302,200,000 rubles.

Outlays on sovkhoses and other state agricultural enterprises and organizations of the republic's Ministry of Agriculture have been set at 4,228,500,000 rubles, to include 1,329,500,000 rubles provided by the budget. Outlays on capital investments will be 1,864,600,000 rubles, to include 757.2 million rubles from the budget.

A total of 484 million rubles will be allocated to strengthen the economies of low-profit and subsidized sovkhoses (this does not include capital investments).

The profit of sovkhoses and other state agricultural enterprises of the Ministry of Agriculture has been set at a total of 429.7 million rubles (less the planned losses), and almost all of this profit is to be placed at their disposal for the expansion and economic stimulation of production.

A great deal of financial assistance is being provided to the republic's sovkhoses and kolkhozes in response to a decision of the May (1982) CPSU Central Committee Plenum. The necessary allocations have been provided from the state budget to write off overdue and unguaranteed USSR Gosbank loans. The purchase prices on meat, milk, grain and other products were raised as of 1 January 1983.

All of this is creating the appropriate economic base permitting each agricultural enterprise to fulfill its required production and product sales volumes, reduce production cost and raise profitability.

The republic's Ministry of Fruit and Vegetable Industry has been given an important role in the Food Program. This year 176.3 million rubles, or 2.9 percent more than last year, are being allocated from the budget for development of the ministry's agricultural, industrial, marketing and procurement enterprises and organizations.

The Ministry of Fruit and Vegetable Industry must implement concrete measures to insure elimination of the existing shortcomings in its work, correct utilization of state funds and unconditional fulfillment of the agricultural production, procurement and processing plans.

and reclamation is an important direction in strengthening the material-technical base of agricultural production. In 1983 capital investments will finance the introduction of 76,000 hectares of irrigated land, improvement of the technical condition of existing irrigation systems servicing a land area of 120,000 hectares and irrigating 7.6 million hectares of pasture land, and construction of 860 km of shared water pipelines.

At the same time it should be noted that the republic is not making full use of the presently existing great possibilities of irrigated farming. Losses of irrigation water are being condoned in many farms; each year significant areas of irrigated land are not developed. As a consequence we need to make doubly sure that assets are used sensibly and for their intended purpose.

The republic's Goskomsel'khoztekhnika [State Committee for the Supply of Production Equipment for Agriculture] faces important tasks associated with providing production and technical services to agriculture. Its commodity turnover is to be 1,835,000,000 rubles in 1983.

The Goskomsel'khoztekhnika is obligated to eliminate existing shortcomings in the supply of materials and equipment to sovkhozes and kolkhozes, and it must take steps to reduce above-standard reserves of goods and to raise the quality of services provided to agricultural production.

Capital construction is the core of constant expansion and improvement of the structure of production. In 1983, 4,590,000,000 rubles are to be allocated for the financing of state capital investments, to include 1,690,400,000 rubles from the budget.

The plan and the budget call for a further increase in the effectiveness of capital investments, their high concentration, and coordination of the plans with the material, labor and financial resources and the output capacities of the construction organizations. However, certain ministries, departments and construction projects in the republic continue to disperse their capital investments and commission productive capacities and fixed capital late. Such cases occurred at facilities of the republic's Ministry of Nonferrous Metallurgy, Ministry of Agriculture, Ministry of Power and Electrification, Ministry of Light Industry and Ministry of Construction Materials Industry.

Despite the fact that reequipment and reconstruction of existing enterprises has been set as a priority item, outlays for these purposes are only 13.3 percent of the total limit of capital investments. But even these assets are being assimilated late and incompletely. In 1982 they were from 25 to 52 percent assimilated by individual ministries. This situation is one of the reasons behind the longer time required to compensate for capital investments, and one of the causes of a lower output-capital ratio.

Presence of excessive reserves of uninstalled equipment, which is often delivered to the construction sites prematurely, without a consideration for actual stock on hand and the financing limits, is also preventing growth in effectiveness of capital construction. Such reserves are of sizable

important construction projects of the Kazakh SSR Ministry of Light Industry, Ministry of Construction Materials Industry, Ministry of Agriculture and Ministry of Nonferrous Metallurgy.

Each year sizable assets are allocated for planning and surveying operations; unfortunately, these assets are often used irrationally. Cases have occurred where the quality of the documents is low, and where documents are drawn up for facilities not foreseen by the construction plans. Such documents remain unutilized for long periods of time, and the assets spent on them are written off as unproductive expenses.

The lag in capital construction can also be explained by the unsatisfactory work of many contracting organizations which fail their quotas for labor productivity, the cost of construction and installation and economization of resources, and which are unable to eliminate losses and nonproductive outlays. As a result in 1982 just construction organizations of the Ministry of Construction of Heavy Industry Enterprises, the Ministry of Rural Construction and the Main Administration for Construction in Alma-Ata fell short of their profit plans by more than 13 million rubles.

The ministries, departments, executive committees and the Alma-Ata City Executive Committee must implement the appropriate measures to eliminate the shortcomings in the planning of capital investments, in equipment imports and in planning estimates; they must insure that construction organizations fulfill their quotas for raising work quality.

Institutions of the USSR Stroybank and Gosbank and financial organs must raise the effectiveness of financial control over fulfillment of capital construction plans and compliance with planning, financial and accounting discipline.

The party and government are devoting continual concern for increasing production of consumer goods in every possible way, raising their quality and expanding their assortment, and for improving marketing services.

Retail commodity turnover was set at a total of 15.1 million rubles in 1983--an increase of 6.3 percent. A total of 154.8 million rubles have been foreseen for the financing of state trade (in the republic's Ministry of Trade). Organizations of the Kazakh SSR Union of Consumer Cooperatives will provide 180 million rubles for the development of trade, procurement and other forms of activity.

The republic is doing a certain amount of work to develop trade, strengthen its material-technical base and increase the production of consumer goods. But the level that has been achieved thus far is still below the requirements.

In 1982 the republic's industrial enterprises fell short in their deliveries of goods by 76.4 million rubles. The plans for retail commodity turnover were short by 143 million rubles.

The Central Committee of the Kazakhstan Communist Party and the republic's government foresaw an entire complex of measures to develop trade and improve

trade services to the public in the 11th Five-Year Plan. The ministries, departments and executive committees of the soviets of peoples deputies are obligated to implement them, insuring unconditional fulfillment of the plans and quotas associated with developing the network of stores and public food services enterprises, with equipping them and with raising the quality of services to the public.

The volume of personal services to be rendered in 1983 will be 5.8 percent greater than last year. The development of personal services (in the republic's Ministry of Consumer Services) is to be financed by 61.6 million rubles, including 11.1 million rubles from the budget.

In order that the public's demand for personal services could be satisfied more fully, the activities of the personal services enterprises must improve and control over the correctness with which they utilize material, labor and financial resources must be intensified.

Each year the Soviet state allocates enormous assets to the construction of social and cultural institutions and to the expansion of their networks and employees. This year outlays on these measures from the republic's budget will total 3,952,400,000 rubles, or 209.1 million rubles more than last year.

National education, science and culture will receive 1,924,100,000 rubles, and public health, physical culture and sports will receive 826.4 million rubles.

The plan and the budget foresee the necessary resources for improving pre-school education, raising the level of education in schools of general education and expanding personnel training.

A total of 270 million rubles are being allocated for the maintenance of pre-school institutions--20 million rubles more. The number of places in children's nurseries and day schools will increase by almost 16,000, attaining 766,600.

A total of 704.2 million rubles are being allocated for the maintenance of all schools of general education and boarding schools. These assets will be used to strengthen their material-technical base and to improve the organization of training and indoctrination.

A total of 442.7 million rubles, or 4 percent more, is being allocated to the training of personnel in higher and secondary special educational institutions, and of qualified workers in vocational-technical schools.

Soviet science, which has the job of solving important problems associated with satisfying the growing demands of the national economy, is to play an important role in accelerated development of the republic's productive forces. A total of 53.1 million rubles are being allocated for the maintenance of scientific research institutions.

Sizable assets--85.7 million rubles--are being allocated to the maintenance and reinforcement of the material base of institutions of cultural education.

The republic is improving the organization of public health and raising the quality of medical services. A total of 820.7 million rubles, or 4.2 percent more, are being allocated for the expansion of the network of hospitals, polyclinics and other therapeutic institutions and for their equipment. In 1983 the number of hospital beds will increase 3,800 to a total of 196,400.

The laborers' social welfare system will enjoy increasingly greater development. As of November 1981 the republic increased the pensions and allowances of 510,000 retired individuals and 35,000 single mothers, who receive an additional 33 million rubles each year. Expenditures on all kinds of pensions and allowances will total 1,201,900,000 rubles--an increase of 9.9 percent.

Measures to improve management of the national economy are being implemented in the republic in accordance with directives of the CPSU Central Committee and the USSR Council of Ministers. Outlays on maintaining state government organs, the state administration and court organs have been set at 132.8 million rubles. Their proportion within the total volume of the state budget is 1.4 percent. Limits have been set on the total number of administrative workers and on the allocations for maintenance of the administrative machinery of the ministries, state committees and departments of the Kazakh SSR, the oblast executive committees and the Alma-Ata City Executive Committee.

However, excesses and violations of employment estimate discipline can be found in the organizational structure and staffs of certain units of the national economy. This pertains primarily to enterprises and organizations of the Kazakh SSR Ministry of Land Reclamation and Water Resources, Ministry of Forestry Industry, Ministry of Rural Construction, Ministry of Nonferrous Metallurgy and Ministry of Fruit and Vegetable Industry.

The Kazakh SSR Council of Ministers has ordered the ministries, departments, oblast executive committees and the Alma-Ata City Executive Committee to continue their efforts to improve management of the economy and to make administration less expensive. The republic's state budget for this year has established the savings to be achieved through such improvements--31.4 million rubles.

The role of local soviets of peoples deputies in developing the economy and culture and in raising public welfare is increasing, and their responsibility for fulfilling the plan and the budget is rising.

In accordance with the plan for economic and social development, the 1983 budgets of the local soviets of peoples deputies have been set at a total of 2,510,000,000 rubles in terms of both income and expenditures. These budgets represent 26.1 percent of the total volume of the republic's state budget.

The budgets of the oblasts and of the city of Alma-Ata were set by the Kazakh SSR Supreme Soviet in the volumes shown in the table below.

Deductions from unionwide state taxes and income and payments made from the profit of republic enterprises and organizations will be transferred into the budgets of the oblasts and the city of Alma-Ata. The total, 2,057,800,000 rubles

| <u>Region</u>           | <u>Thousands of Rubles</u> |
|-------------------------|----------------------------|
| Aktyubinsk Oblast       | 110,720                    |
| Alma-Ata Oblast         | 123,861                    |
| East Kazakhstan Oblast  | 142,771                    |
| Guryev Oblast           | 84,202                     |
| Izhambul Oblast         | 154,870                    |
| Dzhezkazgan Oblast      | 76,647                     |
| Karaganda Oblast        | 203,959                    |
| Kzyl-Orda Oblast        | 97,287                     |
| Kokchetav Oblast        | 111,665                    |
| Kustanay Oblast         | 148,923                    |
| Mangyshlak Oblast       | 44,468                     |
| Pavlodar Oblast         | 143,173                    |
| North Kazakhstan Oblast | 102,212                    |
| Semipalatinsk Oblast    | 131,023                    |
| Taldy-Kurgan Oblast     | 110,498                    |
| Turgay Oblast           | 64,119                     |
| Uralsk Oblast           | 103,121                    |
| Tselinograd Oblast      | 124,695                    |
| Chimkent Oblast         | 220,164                    |
| City of Alma-Ata        | 211,607                    |

represents 82.7 percent of the total income of the local budgets. Internal and secured income have been set at 432.2 million rubles.

A total of 916.7 million rubles, including 385.6 million rubles from the budget, has been foreseen for the year in support of further development of housing and municipal management, personal services, local industry, trade and other sectors subordinated to the soviets of peoples deputies.

Expenditures out of local budgets on social and cultural measures have been set at 1,963,000,000 rubles, or 66.1 million rubles more than in 1982. These assets will make it possible to strengthen the material-technical base of all social and cultural institutions, and to create the necessary conditions for improving their work.

The executive committees of the soviets of peoples deputies must take the necessary steps to improve the activities of enterprises and organizations, and to make sure that they fulfill their production and financial plans and their obligations to the budget, and that they comply strictly with economization practices when using state assets.

As we know, departmental control plays a great role in the control over fulfillment of planned quotas and over the economical use of material and financial resources.

The task is to achieve a further increase in the effectiveness of such control, to improve accounting and accountability and to intensify the influence of control on preserving socialist property and eradicating the causes and conditions generating violations in planning and financial discipline.

The Kazakh SSR Supreme Soviet also approved the report on the Kazakh SSR State Budget for 1981. The total income was 10,466,600,000 rubles, or 102.2 percent of the planned amount, while expenditures were a total 10,068,200,000 rubles, or 98.7 percent of the planned amount; income exceeded expenditures by 398.4 million rubles.

As with all Soviet people, the laborers of Kazakhstan welcomed, with avid approval and as a guideline for action, the decisions of the November (1982) Plenum of CPSU Central Committee and the Seventh Session, Ninth Convocation of the USSR Supreme Soviet. The socialist competition for attainment of new levels of creativity in all areas of economic and cultural development is picking up ever-greater momentum in the republic. Successful fulfillment of the plan and the budget for the 3rd year of the five-year plan will be a major contribution to implementing the socioeconomic program adopted by the 26th Congress of the Communist Party of the Soviet Union.

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## REGIONAL DEVELOPMENT

### GENERAL PROBLEMS, SHORTCOMINGS OF INDUSTRIAL LOCATION REVIEWED

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[Article by V. Mozhin, chairman of the Council for Study of the Productive Forces (SOPS) of USSR Gosplan and member of the All-Union Order of Lenin Academy of Agricultural Sciences imeni V. I. Lenin (VASKhNIL): "Optimum Location of the Productive Forces and Improvement of Regional Proportions"]

[Text] Optimum location of the productive forces over the extensive territory of our country has always occupied an important place in the economic policy of the party and state. It is among the principal conditions for effective and dynamic socioeconomic development. The radical shifts which have been accomplished in location of the productive forces in the years of socialist construction have made it possible to utilize the advantages of the regional division of labor in order to increase the efficiency of social production, to bring sizable natural resources into economic circulation, to develop extensive areas, to build the physical basis for solving the nationality question--one of the most problematical in social life, and to achieve social progress in previously backward regions.

The geography of the location of production has been substantially altered in recent 5-year periods. The seventies were typified by the growing scale of regional shifts, the faster pace and the greater comprehensiveness of the development of new regions and of their natural resources. A vivid example of this is creation of the all-union fuel base in West Siberia, which represented a very large shift in location of the productive forces, one that radically changed the situation with the country's supply of petroleum and gas and created the conditions indispensable to economic development in the present stage and over the long run.

Very large tasks are to be solved in the current 5-year period in the domain of location of the productive forces. Specific assignments have been set for the union republics by the decisions of the 26th CPSU Congress. They are aimed at ensuring comprehensive economic development of each of the republics, at intensifying their specialization, at augmenting the contribution to performing the tasks of the entire union and ultimately to speeding up the process of the convergence of the republics in every way on the basis of intensive economic and social development, a convergence that is one of the most important programmatic goals of the CPSU.

Yu. V. Andropov said in his address on the 60th Anniversary of Formation of the USSR: "The present-day productive forces require integration even when different countries are involved. Even more do they require close and skillful unification of the efforts of different regions and republics in one and the same country. The most sensible use of natural and labor resources and climatic peculiarities of every republic, the most optimum inclusion of that potential in the potential of the entire union--that is what will bring the greatest benefit to every region, to every nationality and ethnic minority, just as it will to the entire state.... There is also a need for further improvement of the location of the productive forces, regional specialization and cooperation, and outline schemes of economic ties and shipments. This is, of course, no simple task. But the time has come to do it, and its performance promises a sizable gain."\*

The regions of Siberia, where the principal reserves of petroleum, gas and coal are concentrated, account for the major portion of the growth of fuel and energy resources. But that region is experiencing a shortage of labor resources, and sizable funds are required to build the adequate industrial potential there. Because of the intensified differentiation of demographic processes, approximately two-thirds of the growth of labor resources over the next 10 years is anticipated in the republics of Central Asia and the southern areas of Kazakhstan. This region possesses favorable conditions for development of agriculture and sizable reserves of diverse natural minerals, but the limited water resources (approximately 4 percent of the country's river flow) will hold back the development of production there. The old industrial areas in the European part of the country, where a mighty industrial production potential is concentrated, are now experiencing a shortage of fuel, energy and labor, and in a number of places a shortage of water resources as well. This shortage will increase in the future.

The increasing spatial gap between fuel and energy resources and the potential of labor resources and industrial production capacities is becoming the cardinal problem in location of the productive forces, a problem which will be having a decisive impact on the regional structure of the economy.

As a rule changing regional proportions of social production requires very large capital investments and takes a long time to accomplish. That is why economic planning decisions concerning the regional structure of the economy are strategic in nature. They have to be thoroughly substantiated in socio-economic terms and scientific forecasting, and they have important consequences of a long-term nature in all domains of social life.

Selection of the most optimum proportions in development of these regions and substantiation of the optimum structure of production of each of them are becoming an ever more urgent national economic problem. When possibilities for changing interregional proportions in production are being evaluated, consideration should be given to the fact that an ever larger portion of capital investments will be used for modernization and retooling of the production

\* Yu. V. Andropov, "Shest'desyat let SSSR" [The 60-Year History of the USSR], Moscow, Politizdat, 1982, p 11.

potential already created, which is mainly concentrated in the European part of the country (including the Urals).

As is well known, the party's general line in the domain of location of the productive forces is accelerated development of the country's eastern regions, in which reserves of natural resources are concentrated. The relative share of these regions in the total volume of the country's production is growing with regularity. But it cannot be said that optimum relations have been achieved in economic growth rates between the European part of the country and the eastern regions.

Concentration of a number of energy- and water-intensive production operations is continuing in the European part of the country. Over the last 20 years its share has grown in the production of synthetic rubber, chemical fibers and plastics. Siberia's relative share in the growth of fuel was 90 percent in the 10th Five-Year Plan, but it was substantially lower in the growth of energy-intensive production operations. The share of production operations with high water consumption has increased in regions possessing limited water resources: in the Northern Caucasus, in the Donbass, in Moldavia and in Central Asia. In the Ukraine and the Central Chernozem region construction of new metallurgical enterprises and especially expansion of existing ones has taken on large proportions, and this is seriously complicating the fuel and energy and water balances and the ecological conditions there. In the Ukraine, for example, fuel production in 1970 was 250 million tons of standard fuel, and consumption 210 million. In 1980 production dropped to 224 million, but consumption rose to 290 million tons of standard fuel.

Thus it is a priority task to implement more purposefully the proposition set forth by the 26th CPSU Congress concerning sharp restriction of construction of energy-intensive production operations in the European part of the country and expansion of construction of new energy-intensive enterprises in the regions of Siberia, combined with simultaneous accentuated augmentation of all energy capacities and creation of conditions for attracting and holding labor resources. In connection with the rapid growth of the population and labor resources in the republics of Central Asia and in AzSSR it is a major socio-economic task to redistribute a portion of the labor resources there to other regions of the country and at the same time to create there a sizable number of new jobs by developing labor-intensive types of production. There is evidently justification for those republics to combine the intensive and extensive strategies of economic development.

In discussing the problem of improving the regional structure it is indispensable to dwell on the most important aspects characteristic of all regions. They include excessive concentration of production in large and very large cities and the retarded development of the economic base of many small and medium-sized cities. Thanks to measures adopted in the 1960-1980 period construction of more than 2,000 industrial construction projects with an estimated cost of 62 billion rubles was located in small and medium-sized cities. Yet many such cities still have low economic and population growth rates. In creating their branches in small cities, industrial associations are at the same time preserving and expanding production in the large cities. As much as

80-90 percent of the volume of industrial production of a number of oblasts in the USSR is concentrated in the oblast center.

The principal cause of the concentration of production in large cities is that they have a construction capability and the social and production infrastructures. Outlays for the latter are growing constantly. Government departments avoid construction in undeveloped regions and strive to "save" on infrastructural facilities. This "saving" is having serious adverse economic and social consequences. The growing concentration of production is also favored by the fact that in a number of sectors there is unjustified construction of only large and very large enterprises, which sometimes undergo expansion passed off as reconstruction, and the tendency toward "giantomania" is persisting.

For example, at most petroleum refineries in the USSR the volume of refining exceeds the optimum scale, and at the Omsk, Angarsk and a number of others it is almost twice as great. This is the result of the sectoral approach to efficiency, which does not take into account the associated costs, above all the costs of shipping the product. Building in light industry such very large enterprises as the Chita and Tyumen Worsted Wool Fabric Combines with a capacity of 20-25 million square meters of fabrics, was justified by the rise in production efficiency. But the technical-and-economic indicators of these very large enterprises proved to be substantially lower than for enterprises of medium scale. It would seem that to improve the regional organization of production medium-sized and miniplants should be developed alongside large ones, above all in small and medium-sized cities. This applies to a majority of the branches of industry.

A gap between the productive capital in existence and to be created (jobs) and the availability of manpower is characteristic of many regions. Only the regional approach to this problem makes it possible to fully determine the scale and direction of the disproportions coming about between these basic elements of production. Whereas at the level of the national economy or individual sectors the situation is relatively good, disproportions are growing within regions. In many regions the number of jobs clearly exceeds the labor resources. According to the available calculations, labor resources have not been furnished for several million jobs in the national economy, which has resulted in a "freezing" of fixed capital amounting to billions of rubles. At the same time there are regions (Central Asia, Azerbaijan) with a shortage of jobs. All of this causes large losses for the national economy and reduces the efficiency of social production.

The occurrence of this imbalance is mainly the result of the lack of linkage between the sectoral creation of jobs and the regional reproduction of labor resources. This is also a consequence of shortcomings in the methodology for drafting labor balances and the predominance of the sectoral approach over the regional approach in planning. As is well known, the decisions of the 26th CPSU Congress contained a clear-cut instruction that measures need to be taken to achieve balance of present and future jobs with labor resources. Carrying out this instruction necessitates a transition to the planning of jobs; the experience of a number of socialist countries, the GDR, for example, can be used in doing this.

Policy of resource conservation, which takes into account the regional peculiarities of development and incorporate technological, economic and organizational measures, is taking on great importance under present conditions. A very large benefit can accrue to the national economy from conservation of fuel and energy. Measures to conserve fuel as a rule require between one-half and one-third the costs of increasing its production and shipment. The highest efficiency of energy-saving technology is in the regions of the European part of the country (UkSSR and BSSR, the Northern Caucasus, the Transcaucasus, the Baltic republics, the western portion of the Northwest region), i.e., where the cost of fuel is highest, and consequently that is where the priority is greatest for introducing such technology. It should be borne in mind that fuel and energy costs will in future be more differentiated from region to region of the country. In Siberia the saving in imputed costs per ton of standard fuel will be 25-35 rubles compared to the European regions, and the saving on specific capital investments will exceed 100 rubles.

New technology and processes, which ensure a saving of live labor, are needed above all in Siberia, in the Far East and in the entire North, i.e., in regions experiencing a shortage of labor resources where the cost of providing facilities for each worker attracted are between twofold and fourfold higher than in the European part of the country, and where wages are also higher. At the same time a large labor saving can be achieved by overcoming departmentalism and through better organization of production. In regions of the North where life is hard, for every person employed in the specialized branches of the extractive industry at the present time there are as a rule between six and eight persons employed in construction and service operations (municipal services and facilities, the trade sector, transportation, and so on), whose administration is divided up among numerous departments.

Performance of water-conservation measures on the basis of intensified use of water resources and application of the advances of scientific-technical progress is taking on paramount importance in the regions of Central Asia and the south of the European part of the USSR, which are experiencing a water shortage and must have priority in performance of water-conservation measures. Measures are required there to encourage economical water consumption.

Scientific-technical progress is having an ever greater impact on the solving of problems related to improvement of the regional structure of production. Its advances are even now altering certain ideas which have taken shape about the location of production and are making it possible to carry out alternatives which previously were not efficient or could not be worked out at all. For instance, the development of nuclear power will make it possible to mitigate the shortage of electric power in regions with a scant supply of other types of energy sources. Nuclear power plants will form very large industrial complexes around themselves. Scientists have advanced the idea of combining construction of alumina and aluminum plants with nuclear power stations in the immediate proximity of centers of the ore, which would make it possible to substantially reduce the costs of shipping an extremely large amount of raw materials.

Technical progress has furnished the possibility of developing new areas in the north of the country thanks to use of surface and air transportation equipment which did not exist even 20 or 30 years ago. Quite recently the laying of many of the present petroleum and gas pipelines seemed improbable. Mighty pipeline transport has been created before our eyes and is undergoing constant improvement; the operating pressure in the lines is increasing, as is their throughput. Next will be the development of pneumatic container transport, fundamentally new types of off-road vehicles, and so on.

New building materials, finished modules to be installed and assembled on the site are being used ever more widely in construction. Processes are being created which ensure fuller extraction of the useful components from various types of ores, energy and water conservation, and a labor saving.

The comprehensive program of scientific-technical progress now being drafted is to serve as the basis for effective solution of a number of complicated problems in the location of production. The task is to speed up scientific-technical progress and to introduce the prototypes of new equipment which have been created in modifications for the north, for the desert, for high mountains, and so on.

The conduct of a policy of resource conservation, differentiated from area to area of the country with respect to the specific types of resources to be conserved, should be combined with more effective solutions for the location of new construction. Shortcomings in the location of production result in inefficient freight flows, bring about additional costs and to a considerable extent stand behind the fact that transportation has become the bottleneck in economic development. Annual operating costs in the shipment of fuel from Siberia to the European part of the country over a distance of 3,000-4,000 km exceed 1 billion rubles.

One might give quite a few examples of unsound location of enterprises resulting in unjustified additional costs. For instance, construction of the pulp and paper combine at Kzyl-Orda (KazSSR), oriented toward use of a local raw material--reeds--was a manifest miscalculation. In actuality the combine is operating with wood and pulp brought in from outside. Or another example: the Excavator Plant imeni 50-Letiye SSSR, built in Tallinn, is operating on metal and fuel shipped in, while more than 95 percent of the finished products are shipped to southern areas and to the East.

There is a large untapped potential for reducing shipping costs in the optimization of interregional connections concerning products used throughout machinebuilding (castings, forgings, stampings, metal fabrications, and so on). The average shipment radius is 1,700-2,000 km for forgings, 1,300-1,500 km for stampings, distances which are 2.5- and 3.5-fold, respectively, greater than the optimum.

Building materials amount to more than a fourth, and in a number of regions as much as 35-40 percent, of the freight carried by rail. Clay, sand and prefabricated reinforced concrete are mainly carried. Crushed stone is hauled as much as 1,000 km. In 1980 41 percent of the mineral building materials

...were shipped to West Siberia. Even though the production of reinforced-concrete products and fabrications has been organized in practically all oblasts, more than 50 percent are delivered to other oblasts and krays. This is the result of creating a "self-sufficient economy" within individual departments, each of which provides for the supply of "its own" construction sites without taking the hauling distance into account.

A necessary condition for higher economic efficiency is comprehensiveness in the regional organization of the economy, which applies first of all to the use of natural resources. At present billions of tons of rock are extracted from underground. There are examples of optimum use of the rock which is mined. For example, the Norilsk Metallurgical Combine obtains from Taymyr ores some 10 very valuable components aside from copper, nickel and cobalt. But in a number of regions a sizable portion of accompanying useful components of the tailings along with the rock. We will give one of many examples. Over a period of 50 years more than 520 million tons of ore have been mined in the Khibins, and it has been used to manufacture more than 230 million tons of apatite concentrate and only 25 million tons of nepheline concentrate, which is 12-15 percent of the nepheline extracted from the ground. More than 30 million tons of aluminum oxide (enough to produce 10 million tons of metallurgical aluminum), about 6 million tons of titanium dioxide and other valuable components are dumped into waste piles. As much as 50 percent of the value of components containing ore is sent there. This situation is especially intolerable at the present time, when it is necessary to turn to remote deposits and to spend foreign exchange to purchase imports.

The many years of experience of the plants using Khibin nepheline have demonstrated the high efficiency of extracting alumina. The production cost per ton of alumina is considerably lower at these enterprises than at other enterprises of Ministry of Nonferrous Metallurgy. Along with each ton of alumina they obtain 700 kg of soda ash and other products. This is very important, since large amounts of foreign exchange are spent to import soda ash.

One-sided and low-efficiency use of natural resources is often incorporated even in the project plans for construction. A special procedure for planning and supervision by planning agencies is needed, then, from the outset, in the project planning stage, and then in the stage of financing and material support of complex construction projects. There is also a need for incentives--improvement of prices of raw minerals and individual components contained in their various types. Attention should be paid to the proposals of scientists concerning a change of the system of administration and creation of mining-industrial combines responsible for combined and thorough utilization of raw materials.

In discussing the question of improving the location of the productive forces we cannot but speak about agriculture and the agroindustrial complex. Specialization of agriculture by very large zones has by and large taken shape. But even here there is a sizable untapped potential for raising production efficiency. As shown by optimization calculations, more optimum location of plantings of grain crops could increase by approximately 5-7 percent the harvest of this extremely valuable product. The capabilities of the agroclimatic

...increasing the yield on the basis of more thorough regional specialization of cropping are not being fully utilized even within the large zones.

It is an urgent task to improve the location of enterprises of the industrial sphere of the APK [agroindustrial complex], especially storage facilities and processing enterprises. Elevators and meat and milk processing enterprises are frequently distant from the principal regions where the farm product is produced. In addition, as a rule they are distinguished by their very large scale, which is advantageous from the standpoint of the sector, but inefficient from the standpoint of the national economy. In a number of cases the concentration of processing is running ahead of the concentration of production of the agricultural raw material and does not take into account the latter's objective capabilities. For instance, in the Krasnodar Production Association of the Canning Industry the radius for delivery of the raw material is 180-200 km. Shortcomings in the location and specialization of agriculture are also manifested, and zones of specialized production of particular farm products are still being shaped slowly. Very great amounts of farm products are shipped because of defects in the purchasing system. The distance of interregional shipments in RSFSR ranges from 800 to 3,500 km per ton of grain. More attention ought to be paid to creating small processing enterprises right in the farms--that would make it possible to make better use of labor resources and would help to keep personnel in agriculture.

Steps have recently been taken to improve regional planning and to combine it with sectoral planning with a view to more optimum location of the productive forces and improvement of regional proportions in production. Progressive forms for regional economic organization are being introduced--TPK's [regional industrial complex], and combined plans for economic and social development of regions at various levels and comprehensive regional target programs (West Siberian Petroleum and Gas Complex, the BAM [Baykal-Amur Main Rail Line], and the Nonchernozem Zone) are being drafted. But obviously there is a need for further steps to improve the economic planning mechanism aimed at optimization of the location of the productive forces.

A strengthening of the centralized principle is taking on paramount importance in the planning field. It is not a question of raising the indicators of the plan, but rather that overcoming departmentalism and localism and achievement of an effective structural policy are possible only on the basis of concentrating the very large centralized investments in priority regions that determine development of the entire national economy. The scattering of capital investments is helping to preserve the structure of the productive forces that has already taken shape. Improvement of the economic mechanism and introduction of cost accounting (khozraschet) can increase the efficiency of social production and afford a saving of resources.

We should emphasize in this connection the importance of target-program methods of planning. But, as experience shows, drafting a program is just half the job. Great difficulties arise even in distribution of the assignments arising out of it among ministries, departments, and regional agencies, especially when it comes to creating infrastructural facilities in common and facilities of the nonproduction sphere. Still greater difficulties crop up in

the stage of carrying out the programs (including the development of TPK's), when the role of planning agencies drops off, and the most typical difficulties are the lack of synchronization of the activation of projects, lag in development of the nonproduction sphere and ultimately a drop in the anticipated benefit. We obviously cannot avoid creating specialized administrative bodies endowed with appropriate powers and financial resources and fully responsible for carrying out the program.

The shortcomings and sometimes even errors in locating individual enterprises result in large part from the subjectivism still encountered in decisionmaking and the manifestations of the departmental approach. It must be said that every year a large number of current and partial decisions are made concerning the location of enterprises. If such occurrences are to be eliminated from planning practice, corrections evidently have to be made in the decisionmaking process and the established procedure governing their preparation must be strictly complied with.

Outline schemes are called upon to play a definite role in improving the location of the productive forces: sectoral charts (for development and location of sectors), regional charts (for republics and economic regions) and the Master Chart for Location of the USSR's Productive Forces, which is being compiled in accordance with decisions of the 26th CPSU Congress. As is well known, these charts have been prepared beginning with the 8th Five-Year Plan. But their effectiveness has not been sufficient up to now. They have not had the necessary legal importance, and they have yielded recommendations of a general nature. The decrees of the CPSU Central Committee and USSR Council of Ministers dated 12 July 1979 and entitled "On Improving Planning and Strengthening the Influence of the Economic Mechanism on Increasing Production Efficiency and Work Quality," dated 30 March 1981 and entitled "On Measures To Further Improve Project Planning and Cost Estimation," and the decree of USSR Gosplan dated 29 December 1981 and dealing with preparation of the Master Chart for Location of the USSR's Productive Forces and sectoral and regional charts make substantial changes in the procedure for the preparation, content, and legal status of the outline schemes. Now project planning and construction of new projects will be based on sectoral outline schemes approved by ministries and regional outline schemes approved by councils of ministers of the union republics, which are to be drafted for a 15-year period. They must contain material including the necessary calculations justifying the feasibility of the planning and construction of projects over the next 5-year period.

Approval of the outline schemes is to be preceded by their consideration in the Council for Study of the Productive Forces (SOPS) of USSR Gosplan, which has been ordered to prepare a conclusion concerning each of them, and then by clearance in USSR Gosplan. SOPS drafts the master chart for location of the productive forces on the basis of the cleared and approved outline schemes and submits it to USSR Gosplan. An analysis of the outline schemes submitted shows that methods requirements were departed from in compiling many of them: the regional aspect has not been adequately developed, the departmental approach is often taken instead of the sectoral approach, and scientific-technical progress is poorly reflected. Many sectoral outline schemes envisage an increase in the size of the work force, which in future is unrealistic; they

contain proposals for location of enterprises in cities where new construction is prohibited. There is still much work to be done, and its importance is increasing in connection with the fact that its results are to be used in preparing the basic directions of future economic and social development.

Better linkage of charts for location of the productive forces with the Master Population Settlement Chart and regional layout plans should help to increase the level of all the work related to location of production. It needs to be said that so far the necessary procedure for clearance of these documents has been lacking.

All the problems enumerated above arise in the stage of preplanning substantiation. Still more complicated and important aspects of combining sectoral and regional development come in the stage of actual planning and in carrying out the planning decisions.

In analyzing development of the economy we note contradictory processes. On the one hand scientific-technical progress is making it necessary for production to be specialized and concentrated in sectors producing the same kind of product. The high efficiency of specialized production and the conduct of a unified technical policy necessitate development of sectoral planning and administration. On the other hand objective factors are operative which strengthen the role and importance of regional planning and administration. First among them is the social factor. The number of social tasks is growing, and they are becoming ever more complicated. Some of them are being performed within sectors. These are improvement of working conditions and making work more safe, eliminating heavy physical work and unattractive operations, and so on.

But the entire set of conditions concerning social and cultural services and housing and utilities which must be developed harmoniously where people live can be provided for only on the basis of the regional intersector approach to planning and administration. Moreover, the problems related to development of production which has intersector importance, environmental protection, optimum use of labor and natural resources within individual regional units are becoming more complicated. That is why it is becoming increasingly urgent to have a clear-cut delineation of the functions of sectoral and regional plans among the respective administrative agencies.

Reality urgently requires, for example, more effective solution of the problem of planning resources to be allocated for production purposes and for creation of the infrastructure (above all the social infrastructure). At present ministries and departments play the principal role in building housing, children's institutions and municipal service and health care facilities. This is probably the main reason why disproportions arise between the production and non-production spheres.

The growth of the social infrastructure depends, of course, on the development of production, but this dependence is mediated by the size of labor resources and the size of the entire population. Resources allocated for the social infrastructure of cities and rural areas must be oriented directly toward meeting

the needs of the workers and should as a rule be turned over to regional administrative agencies (there is experience with this in GDR and Hungary). This has fundamental importance, especially in drafting the master plans of cities and regional layouts, as well as in the project planning of regional industrial complexes and industrial parks. Ignoring differences in shaping the facilities of the principal production operation and the production and social infrastructures has the result that often a city is the sum total of separate settlements with numerous autonomous boiler plants and other installations and conditions unfavorable for living.

The problem of more harmonious combination of regional and sectoral development cannot be solved solely in the planning sphere. It is very important to introduce more widely in the practice of the conduct of economic activity a system of regional economic indicators (the charge for land, water, labor and other resources), that would reflect the objective costs of their reproduction. At present, for example, increasingly expensive factors in construction and operation in Siberia are being reflected in capital investments and wages, but the advantages are not being fully realized in economic terms. For instance, the state spends considerably more per cubic kilometer of water resources in the European part of the country than in Siberia. The charge for water imposed on industrial enterprises in the basins of the Volga and Ob differs little. In some regions a system of economic protectionism should evidently be applied to certain types of production, and in others there should be a system of bans. Provision should be made to strengthen the compulsoriness of regional development indicators in state plans, including sectoral plans, and there should be improvement of the regional breakdown of sectoral plans.

There is a need to improve comprehensive socioeconomic planning at all levels of the administrative-economic system. Plans for comprehensive development of an area, reflecting the regional identity, play a vigorous role in guaranteeing effective use of natural and labor resources and in solving social problems.

As for the organizational structure of administration, it would be wise to take up the question of broadening the rights of regional agencies and their functions in administration of certain sectors. The latter would include agriculture, the production operations which serve it, and the branches which process raw materials originating in agriculture. Emphasis in operational supervision of the group of branches of the APK should in our view be shifted in the direction of regional agencies--republic, kray and oblast.

In our view it is advisable to strengthen the regional aspect of administration in construction, in production of products which have intersector application, and in development of the infrastructure. Solving the organizational problems would make it possible to carry out more vigorously improvement of the regional organization of the economy--which represents important untapped potential for raising the efficiency of social production.

Improvement of the location of the productive forces in the coming period will help to increase the efficiency of social production thanks to further specialization and comprehensive economic development of the union republics and economic regions within the country's unified national economic complex.

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